March 24 1987

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American Express seeks global advantage, Page 27

World news

Marxists deliver poll blow to Gandhi

A Marxist-led coalition gained control of the south Indian state of Kerala, ousting a ruling group headed by Prime Minister Rajiv Gandhi's Congress (I) party in state elections.

The ruling Left Front in West Bengal, led by the Communist Party of India-Marxist (CPI-M), also looked set to retain power by a landslide victory over the Congress party.

Mr Gandhi suffered another setback when India's first intercontinental-range rocket fizzled into the Bay of Bengal two minutes after the Prime Minister watched what was expected to be an ambitious lift-off for the Indian space programme. Page 4

Haig in running

Former US Secretary of State Alexander Haig has joined contenders for the Republican presidential nomination next year. By his own admission, however, he remains "a dark, dark horse". Page 26

Iran warns US

Iran warned the US not to interfere in the Gulf a day after Washington said its warships were available to escort Kuwaiti tankers through the waterway. "If US intervention occurs, the entire world will become insecure for the Americans", a spokesman said. Page 4

Soviet arms advance

Moscow has deployed a new nuclear-missile submarine and will roll out its 10-warhead SSX-24 intercontinental missile within a year, according to sources in Washington.

Comeback for Hu

Ousted Communist Party general secretary Hu Yaobang was formally chosen to sit on an elite group presiding over China's parliament and will attend the opening session today, his first public appearance for months. Page 4

Sri Lanka search

Hundreds of troops and police backed by helicopters launched a search on Sri Lanka's Jaffna Peninsula for eight members of the security forces seized by Tamil rebels during a fierce battle in which five soldiers were killed.

Dhaka violence

One student was killed by police gunfire outside Dhaka and at least 50 people were hurt as opponents of President Hossain Ershad of Bangladesh observed a "black day" of protest to mark the fifth anniversary of his rule.

Ethiopians on move

One and a half million peasants from Ethiopia's drought-prone north-west have been resettled on virgin lands in the more fertile south-west, Ethiopian leader Mengistu Haile Miriam said.

Mid-air collision

Two German crewmen were killed and two injured when their F-4 Phantom fighter-bombers collided over open country north of the port of Bremerhaven.

IRA bomb link feared

British suspicions centred on an Irish Republican Army connection after the car bomb attack late on Monday at British Rhine Army headquarters near Düsseldorf, which injured 31 people, but a link with the Red Army Faction has not been ruled out.

Sabena flies on

The Belgian national airline Sabena resumed 75 per cent of its flights when many employees on strike over wages and retirement terms returned to work, a company spokesman said.

Business summary

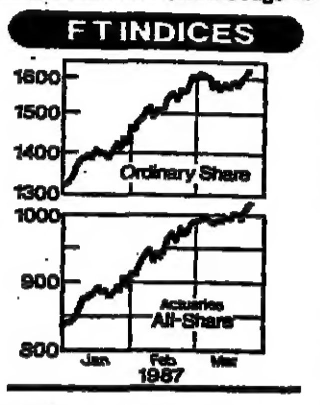
London investment rules challenged

CITY OF LONDON: Implementation of new regulatory framework has been threatened following a strong challenge to the rules on selling life insurance and unit trusts set by the City of London regulatory body, the Securities and Investments Board. Page 26

WALL STREET: The Dow Jones industrial average closed 5.4 up at 2,369.18. Page 50

TOKYO: The yen's surge to a post-war high against the dollar sparked selling of AIDS-related and blue chip stocks, dragging equities down broadly. The Nikkei average plunged 152.95 to 21,435.30. Page 50

FT INDICES



LONDON: Growing confidence in the equity sector found further encouragement from the renewed surge on Wall Street and a buoyant report from the Confederation of British Industry. Share prices reached new peaks, with the FT-SE 100 index up 23.2 at 2,056.2 and the FT Ordinary ahead by 13.7 at 1,625.2. Gilts lost up to 1 point. Details, Page 46

GOLD rose to $408.75 ($408.25) on the London bullion market. It also rose in Zurich to $409.30 ($406.90). Page 39

DOLLAR closed in New York at DM 1.8220; FFr 6.0650; SFr1.5225; and Y149.05. It rose in London to DM 1.8215 (DM 1.8290); to FFr 6.0650 (FFr 6.0690); but fell to Y149.25 (Y150.15); to SFr 1.5220 (SFr 1.5230). On Bank of England figures the dollar's exchange rate index fell 0.1 to 102.4. Page 39

STERLING closed in New York at $1.6105. It fell in London to $1.6115 ($1.6175); to DM 2.9350 (DM 2.9450); to Y240.50 (Y242.75); to SFr 2.4525 (SFr 2.4650); and to FFr 9.7725 (FFr 9.8025). The pound's exchange rate index finished at 147.1. Page 39

RAUL GARDINI, chairman of Italy's Ferruzzi agro-industrial group, has reached agreement with Mario Schimberni, chairman of Montedison on chemicals and pharmaceuticals group, which will see Ferruzzi's presence strengthened on the Montedison board and in subsidiary companies. Page 27

GIST-BROCADES, Dutch biotechnology group, has reported earnings up 11 per cent to Fl 111m ($54m) last year compared to the previous year on extraordinary gains and lower taxes. Page 28

INTERNATIONAL Leisure Group, UK holidays, airline and hotels group, is holding talks with another company which could lead to a full bid for ILG, valuing it at about £94m ($151.34m). Page 27

ITALTEL, Italian state-owned telecommunications equipment maker which may be merged under a joint holding company with Fiat's Telettra subsidiary, is renegotiating its 1982 agreement with GTE of the US in the field of public switching. Page 28

SOVIET grain imports, according to US estimates, are likely to be 3m tonnes higher than previously forecast because of weather damage to crops. Page 38

VAUXHALL, UK arm of General Motors of the US, today launches three high-performance models in an attempt to maintain its 16 per cent market share. Page 21

EMS, Swiss chemicals group, blamed marginally lower sales and earnings for 1986 on unfavourable currency conditions. Page 28

Pretoria reaches accord on $13bn debt rescheduling

BY ANTHONY ROBINSON IN PRETORIA

SOUTH AFRICA has reached early agreement with foreign creditor banks on a three-year debt rescheduling agreement for $13bn of outstanding commercial bank debt, Mr Barend du Plessis, Finance Minister, said yesterday.

Under the terms of the agreement, hammered out in London between the South African standstill co-ordinating committee (SCC) and a group of 34 major creditor banks, South Africa will repay by June 1990 $1.42bn of the $13bn frozen by the August 1985 "debt standstill." Repayment of $10bn of official debt outside the net will be made on the original maturity dates as originally agreed.

Agreement on the "second interim debt arrangement" was reached three months before the end of the original one-year agreement, which expires on June 30. Under this, Pretoria agreed to repay 5 per cent of maturing bank debt while creditors, largely for political reasons, refused to make more than a one-year interim arrangement. The new agreement, however, will run from July 1 to June 30 1990 and marks a major concession by the banks.

A first down payment of 3 per cent of maturing debt will be made on July 15 followed by another 2 per cent on December 15, making $508m in all. A further 3.5 per cent, or $400m, will be repaid in two instalments in 1988, followed by 3 per cent or $346m in 1989 and 1.5 per cent or $166m in the first half of 1990.

Interest rates will remain the same as agreed in the 1986 agreement, and South Africa will continue to pay interest on all its outstanding $23bn of debt both in and outside the net.

Despite the repayment of $3bn over the last 18 months, total debt has only declined in dollar terms from $24bn to $23bn due to the decline of the US dollar against other major currencies. It would have amounted to just over $20bn at the August 1985 exchange rates.

The new agreement contains a revised "exit clause." This offers foreign creditors the opportunity of converting short-term claims frozen inside the net into repayable long-term debt. This would be repayable over 10 years with 13 per cent due before June 30 1990. There would be no repayment over the following two years. The balance would then be paid in 10 equal, half-yearly instalments over the next five years.

The reserve bank is also investigating the conversion of loan balances and short-term debt into equity investments which would fall outside the net. This will not be implemented, however, until the conversion implications on the financial rand system are fully worked out.

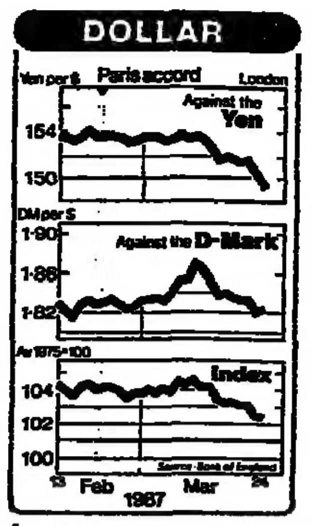
As part of the standstill package of August 1985 South Africa reintroduced a two-tier rand system with a financial rand for all financial transactions. The financial rand discount has narrowed sharply over the last month, reflecting more positive foreign perceptions of the economic and political situation. After reaching a low of around 18 US cents a year ago, the financial rand closed last night at 31.35 US cents compared with 48.47 cents for the commercial rand. The narrowing of the gap between the financial rand – the medium through which South African external financial transactions are made – and the trade-related commercial rand is seen as an indication of growing confidence in South Africa's external financial position.

The new agreement removes a major uncertainty hanging over the South African economy and was described by Dr Gerhard de Kock, governor of the Reserve Bank, as "a very good agreement for South Africa and its creditors."

The new agreement, which comes in the midst of the whites-only election campaign, is expected to give a major boost to the ruling National Party.

Right's election pact fails, Page 4

DOLLAR



$ falls to record low against yen

By Janet Bush in London and Ian Rodger in Tokyo

THE US Federal Reserve and the Bank of Japan took action to intervene in currency markets yesterday in response to the dollar's sudden fall to a record low against the Japanese yen.

The Bank of England is also believed to have sold sterling against the dollar.

Yesterday was the first assault by the foreign exchange market on the agreement signed in Paris in late February by the Group of Five industrial nations and Canada to stabilise currencies.

The dollar purchases by at least three central banks do not appear to have been pre-planned as part of a policy of co-ordinated intervention deriving from the Paris talks but, as one senior monetary official put it, were carried out within the framework of the accord. "The G6 agreement is very much alive," the official said.

The action had the air of a specific response to movements in particular currency parities, notably the dollar against the yen and sterling.

Since Paris, Mr Nigel Lawson, the British Chancellor of the Exchequer, has made clear that he does not want to see sterling rise further from current levels and the Bank of England has taken the opportunity of sterling's strength in the last month regularly to restock its foreign reserves.

The Federal Reserve, the US central bank, bought dollars yesterday through US commercial banks, either on its own account or on behalf of the Bank of Japan and possibly both. The purchases were believed to amount to perhaps only $100m.

The Fed's modest purchases held far more weight in the market than the Bank of Japan's largely ineffectual purchase of between $1bn and $1.5bn earlier in Tokyo and the dollar recovered from its lows earlier in the day.

Continued on Page 26

Money markets, Page 39

EEC ministers near pact on air fares

BY QUENTIN PEEL IN BRUSSELS

EEC TRANSPORT ministers claimed an important breakthrough yesterday in negotiations on a package of measures to allow cheap air fares for many more travellers in the Community.

This breakthrough came when 11 of the Community's 12 member countries agreed to the measures after months of talks. However, Italy and the European Commission have reservations over such a deal, which also depends on a total package covering capacity-sharing and market access for new airlines being settled by the end of June. Yesterday's moves make final agreement on the package much more likely.

The agreement would mean that both discount and so-called "deep discount" fares would be available to a wider range of passengers, subject to more relaxed conditions than at present. However, the agreement is clearly intended still to exclude the great majority of regular business travellers from cheaper deals.

Discount fares are between 65 and 90 per cent of the full economy fare, and "deep discounting" fares are as low 45 per cent of the full fare.

For the business traveller, the most significant move would be the facility to buy discount tickets, provided they are booked at least 14 days in advance, and subject to a 20 per cent penalty if the ticket is cancelled.

For deep discountfares, the minimum advance booking required would be 28 days. The cancellation fee would be 50 per cent if the instruction was made within 28 days of departure, or 20 per cent if made more than 28 days before departure.

Both those deals would be available only on off-peak flights, which have yet to be precisely defined by the transport ministers.

During peak periods, the restrictions are considerably tighter. There would be an age restriction of under 25 or over 60, or family travel with children.

Mr John Moore, the British minister who pioneered the compromise package during last year's British presidency of the Council of Ministers, welcomed yesterday's moves as a "very important breakthrough on the critical issue of fares."

The Commission was divided in its response. Mr Stanley Clinton Davis, the Transport Commissioner, said it was "a most notable step forward, equivalent to introducing the cheap day return for air travellers."

Other Commission officials warned that clauses in the agreement might still allow protectionist airlines to challenge a rival's cheaper fares on the grounds of unfair competition.

Build-up of Soviet arms 'beyond legitimate needs'

BY SIMON HOLBERTON IN LONDON AND PATRICK COCKBURN IN MOSCOW

THE SOVIET Union spends between 15 and 17 per cent of its gross national product on long-term military projects and sets aside half of its research and development expenditures for military projects, a Pentagon report released yesterday claims.

The sixth edition of "Soviet Military Power" also says that last year the Soviet navy deployed a new submarine and that a new 10-warhead intercontinental ballistic missile will be deployed within a year. Over the past 10 years, the Pentagon says, the Soviet military has spent about $200bn on strategic offensive programmes and about $80bn on space programmes.

Mr Caspar Weinberger, the US Defence Secretary, says in a prefatory note that the Soviet Union is building new generations of offensive and theatre nuclear weapons as well as strengthening its conventional, land, sea and air capabilities. These go "far beyond legitimate requirements for defence," he claims.

The Pentagon says the new strategic missile, the SSX-24, is expected to be deployed on an extensive railway network and in silos. At the same time, the Soviet navy is preparing its newest submarine – the Delta IV – for its first operational mission, the report says.

It will be fitted out with 16 SSN-23 – a 10-warhead missile possessing "greater accuracy" than its predecessors. In all, four Delta IVs have been built, and two more are under construction.

Meanwhile, in a satellite press conference with European and Asian reporters yesterday afternoon, Mr Weinberger reiterated the US position that it would consider converting its Pershing 2 missiles based in West Germany to short range intermediate nuclear forces.

This would occur if the US was unable to reach an agreement with the Soviet Union on the reduction of short range missiles in Europe. He said short range weapons were not on the negotiation table in Geneva, but that the US would seek an agreement with the Soviet Union on reduced levels of short range weapons after an INF agreement was struck.

UK Government offer on Airbus attacked

BY LYNTON McLAIN IN LONDON

THE British Government has made a "totally inadequate" response to British Aerospace's request for £750m ($1.2bn) of repayable launch aid for its part in the next generation of Airbus consortium airliners, Sir Austin Pearce, chairman of British Aerospace, said yesterday.

At the same time, Sir Austin revealed that BAe had made a £7.7m loss on its civil aircraft business last year despite achieving a 21 per cent rise on the previous year in overall pre-tax profits to £182.3m.

Mr Paul Channon, UK Trade and Industry Secretary, is believed last week to have offered BAe just over half the sum it is seeking in launch aid.

Sir Austin said he expected a final response to the company's request by the middle of next month, although the Trade and Industry Department said yesterday that it could come within two weeks.

Airbus Industrie, the four company consortium of BAe, Messerschmidt Bölkow Blohm of West Germany, Aerospatiale of France and Casa of Spain, wants all finances to be in place for the launch of its A340 four-engined long range airliner and the A330 medium range version by April 15.

BAe is due to make the wings of the proposed new aircraft.

"If it is not a sensible proposal, we will not be in the programmes," Sir Austin said. "Without adequate Government help, BAe cannot take part. We will not go into these projects if they will jeopardise the company."

Continued on Page 26

BA order plans, Page 21

Matsushita Electric in talks with US chip makers on production

BY CARLA RAPOPORT IN TOKYO AND LOUISE KEHOE IN SAN FRANCISCO

MATSUSHITA Electric, the world's largest consumer electronics company, is in talks with US semiconductor makers on the prospect of signing a chip production sharing agreement in the US.

The talks come in the wake of the recent collapse of Fujitsu's bid to acquire Fairchild, a US chip maker, and rising tensions between the US and Japan on semiconductor trade.

In a further move to resolve the chips dispute, Mr Yasuhiro Nakasone, the Japanese Prime Minister, yesterday told his Trade and Industry Minister to double his efforts to calm American anger over what it sees as Japan's unfair trade practices in semi-conductors.

His intervention came just two days before a scheduled meeting of the US Economic Policy Council which will consider retaliation against Japanese chip-makers.

Matsushita's efforts to boost chip production in the US with a US maker could, the Japanese believe, both ease the problem of chip production cuts at home and help cool tempers in the US chip industry.

Dr Shigeru Hayakawa, senior managing director of Matsushita, told the Financial Times that the Japanese industry was looking towards production-sharing agreements in the US as a way to speed up overseas production growth.

Intel and National Semiconductor have both denied they are in talks with Matsushita, and other large US semiconductor manufacturers are considered unlikely candidates for such a deal.

It is possible, however, that smaller US semiconductor manufacturers might be involved with Matsushita.

Matsushita is known to have held preliminary discussions about strategic alliances with other US semiconductor manufacturers over the past year, although no agreements have been reached.

Although alliances between US and Japanese semiconductor makers have become quite common over the past two years, any accord now between Matsushita and a US semiconductor company could raise concerns in the US, rather than dampen trade friction.

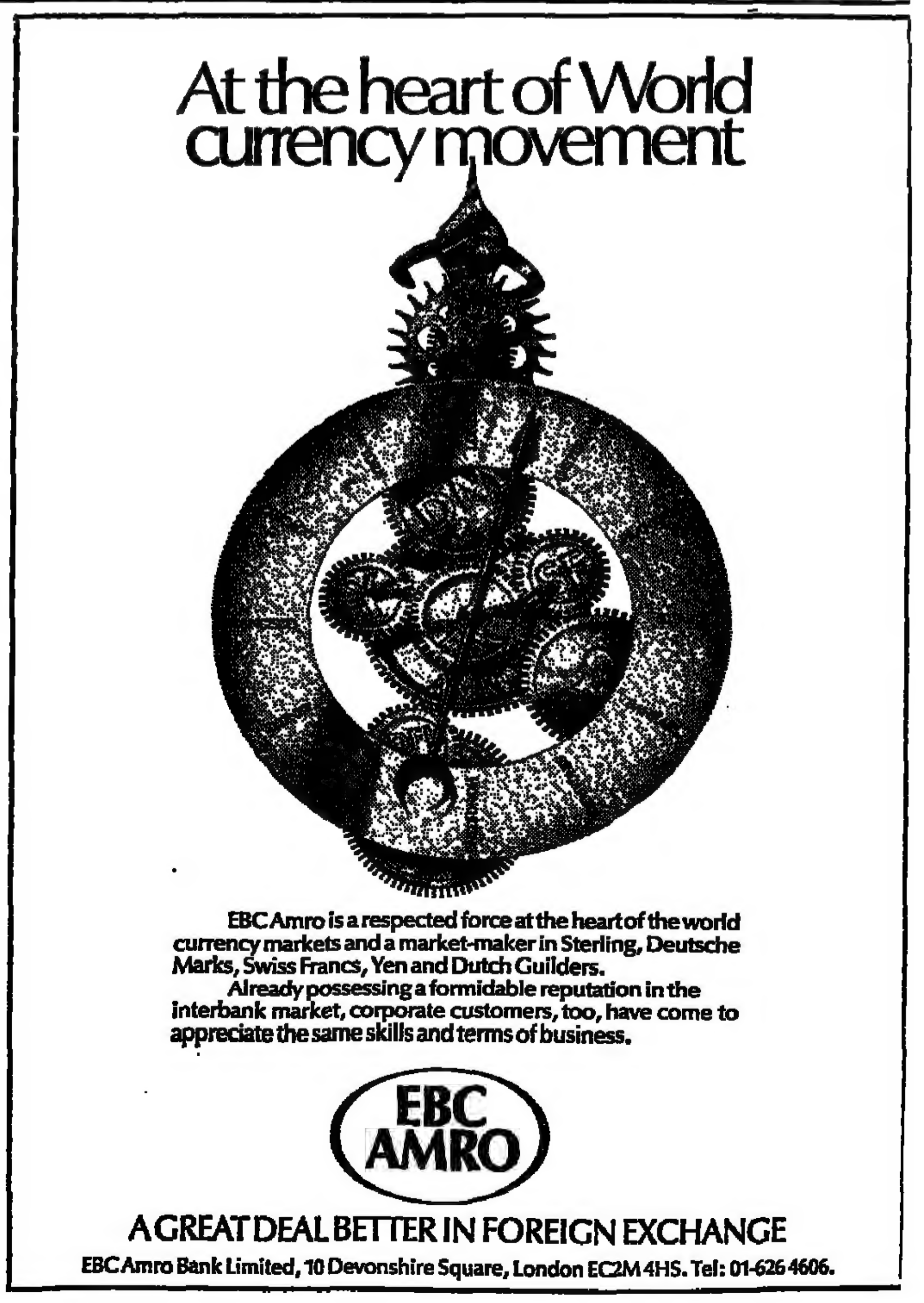
US reaction would depend largely upon details of any agreement. US concerns focus on the potential loss of critical technology to foreign companies.

If, however, the US company is seen to be gaining technology from Japan, objections would be muted. Should Matsushita be contemplating taking an equity stake in a US company in return for manufacturing services, then serious objections are likely to be raised.

Meanwhile, Japanese companies continue to deny the US charge that they are dumping chips in South east Asian countries in order to circumvent the US-Japan semiconductor trade pact.

Referring to Japan's new competition from countries such as South Korea and Taiwan, Dr Hayakawa said that Japan would be able to retain its supremacy in most areas.

National Semiconductor results, Page 27



CONTENTS

CHINA REMINDS ARMY OF LEI FENG'S LESSONS

Colina MacDougall reports on a campaign, launched by Seoul veteran Gen Li Desheng, to remind the Chinese military, Page 4

EUROPEAN NEWS

UK isolated in EEC research funds battle

BY QUENTIN PEEL IN BRUSSELS

RESEARCH MINISTERS of the EEC were last night locked in a bitter budget battle over the cash they are prepared to set aside for Community-wide co-operation in research and development — with the British Government increasingly isolated.

Both France and West Germany, erstwhile British allies in an effort to keep down the cost of joint research programmes, looked ready to compromise after a day of haggling over figures, but Mr Geoffrey Pattie, the UK Minister for Research, refused to budge.

The row centres on a plan by the European Commission to set aside up to Ecu 7.735bn (£5.46bn) for a five-year programme covering all aspects of joint research, from information technology and advanced telecommunications, to medical research and marine science.

The Commission has been strongly backed by industrial lobbies, and the European Parliament, but the UK, France and West Germany refused to agree to more than Ecu 4.2bn (£2.965bn)—leaving a huge gap to be bridged.

The British argue that the EEC simply has not the research capacity to undertake such a large joint research programme, although officials in Brussels suspect the large member states of simply not wishing to share their own technological skills.

Belgium, currently in the chair of the Council of Ministers, yesterday proposed a compromise figure of Ecu 5.6bn, in which Ecu 1.1bn would actually be money already earmarked and committed.

France announced that it was prepared to move to a figure somewhere between Ecu 5bn and Ecu 6bn — although the Commission's strongest supporters, like Spain and Italy, were unwilling to come down.

West German officials, whose position is crucial to the debate with the largest research capacity in the EEC, refused to spell out any figures for fear of leaving the UK isolated — but indicated they were prepared to move towards the French figures.

Mr Pattie, who refused to meet the press in the course of the discussions — in spite of giving a full radio interview before the debate, was reported to have no instructions from London to shift from his baseline of Ecu 4.2bn.

Officials said the whole debate centred on figures, without any serious consideration for the different research programmes involved, and where savings might best be made. In their submissions, the British have said they would make cuts even in programmes they support, like the Esprit information technology projects, and the planned Race programme in advanced telecommunications.

What has caused some consternation within the European Commission is the rigid British line in restricting cash in one of the few areas where Britain gets a substantial net benefit. However Mr Pattie is understood to be under strict orders from the Cabinet and Downing Street to make no concessions.

Sara Webb reports on a nation's obsession with submarines and other suspicious vehicles making their way from the East as the seas and roads unfreeze

European Diary

Sweden

Spy season puts Swedes on alert

COME THE summer, a new emergency telephone service in Sweden will mark the start of another submarine - spotting season. Anyone who sees a suspicious grey object lurking offshore should head immediately for the nearest telephone kiosk, dial 90000, and report it to the submarine watchdog.

Some Europeans go in for bird-watching, train-spotting or UFO-sightings. The Swedes have an obsession with submarines and other spying vehicles—which most recently have included long-distance lorries from the Soviet Union, Poland and East Germany.

Their fears are not entirely groundless: the famous "Whisky on the rocks affair" in 1981 when a Soviet nuclear-armed Whisky class submarine ran aground in restricted waters outside the Karlskrona naval base, reminded Swedes of the vulnerability of their coastline.

Since then, they have found Soviet mini-submarine tracks around the Stockholm archipelago and spotted what the Government euphemistically called "frogmen-like persons" clambering ashore.

And while Moscow archly alluded to Swedish "periscope paranoia" and "underwater hallucinations," members of the public have taken the foreign intrusions extremely seriously.

Armed with a handy leaflet called Our Uninvited Visitors, Swedes can swot up on how to identify a snorkelling submarine, how to recognise various U-boat silhouettes and what to do in the event of finding one (report the time and place immediately).

Rather surprisingly, there seem to be few hoaxers among those members of the public who call in. The defence staff publishes quarterly updates on the strength of the reports, noting the number of submarine sightings and suspicious incidents.

> Surprisingly, there seems to be few hoaxers among those who call in

The Whisky on the rocks incident soured relations with the Soviet Union, as did the more recent discovery of several dozen bugging devices in the Swedish embassy in Moscow (though the Swedes claim that nothing important could possibly have been overheard as all their top secret conferences are carried out in a completely bug-proof room, known ironically in the charmed circles of the Foreign Ministry as the Submarine Room).

However, the general public is now so aware that Swedish submarines have to leave base fully submerged or else brazenly flying the Swedish colours in order to prevent sub-spotters jamming the telephone lines within minutes of their departure.

At times it seems that the public takes a keener interest in these things than Mr Roine Carlsson, the Defence Minister, who tactlessly referred to Sweden's coastal corvettes—the cutting edge of the country's defence against intruding submarines—as "metal monstrosities," which were not worth wasting money on as they were only used by navy captains for showing off.

He had to spend the next few days apologising profusely on television and radio in order to placate the irate naval staff. More recently, he has been criticised for failing to do anything about another Swedish bogbear, namely the squadrons of Eastern bloc "spy lorries" which transport goods between Stockholm and the southern Swedish ports of Gothenburg and Malmo.

> A 20-metre lorry is hardly the least conspicuous spymobile

These have been found meandering down small lanes, miles from the main roads that they are supposed to follow and in some cases suspiciously close to restricted military zones.

There is a lingering suspicion among the press and public that these lorries traverse the country fully equipped with signal equipment and photographing sensitive military installations, if not mile upon mile of grey Swedish tarmac. Their offbeat meanderings have also apparently coincided with the testing of the latest radio equipment by the army.

A Swedish officer recently wrote to the daily newspaper, Dagens Nyheter, calling for tighter control of the movements of such "shameless and arrogant spies" and expressing the fear that if any of them are ever caught, they might switch their tactics to Swedish registered passenger cars. To judge by the number of "disgusted, Tunbridge Wells" letters, he was not alone in his views.

So far, the police have had a tough job proving that there is anything amiss. They have never found signal equipment on board and have had to content themselves with nailing the drivers for smuggling liquor and cosmetics.

They claim that a 20-metre lorry is hardly the least conspicuous spymobile and say the drivers "lose their way because they are using out-of-date maps, and are probably enjoying Sweden's beautiful countryside."

So could it be an innocent interest in Swedish fauna and flora which draws foreigners to the coast and woodlands? Not long ago, the university library at Lund noticed that it was receiving several requests for books about the capacities, deep-water facilities and navigation of Sweden's Baltic ports, and on the rural areas of Sweden where the military train.

The requests came from libraries in Moscow and Leningrad.

Swedish GDP growth rate slows to 1.3%

By Kevin Done in Stockholm

GROWTH IN the Swedish economy slowed last year to its lowest level since 1983 with an increase in gross domestic product of only 1.3 per cent, according to the Swedish Central Statistical Office (SCB).

Industrial production rose by only half a per cent.

The main impulse for growth last year came from private consumption, with an increase of 4.1 per cent, the highest annual increase since 1978.

The increase in private consumption was fuelled by a 3.4 per cent increase in real incomes as well as increased borrowing by Swedish households. For the second year running Swedish recorded a negative household savings rate.

The increase in private consumption was aimed chiefly at consumer durables with an increase of 17 per cent, most notably for cars, as well as clothes, furniture and leisure goods.

Swedish exports increased in volume by only 2.1 per cent compared with 1985. Swedish exports growth in Sweden's main markets. At the same time imports rose by 5.8 per cent in volume helped by the big rise in private consumption. Imports rose particularly strongly in the second half of the year with a jump of 8.8 per cent.

Total investment was dropped by 0.7 per cent after rising for several years reflecting, in part, a 2 per cent drop in industrial investment and a 6 per cent fall in housing investment, according to the SCB figures.

Despite the slow-down last year the Finance Ministry is optimistic that Sweden can achieve a good economic development during the next decade, according to a medium-term economic survey published this week.

The study suggests that Sweden can achieve long-term economic growth of 2.3 per cent a year, but such a development calls for low nominal price and wage increases and a continued improvement in public sector saving.

Yugoslav wage freeze likely to be amended

By Aleksandar Lebl in Belgrade

THE YUGOSLAV Parliament is expected shortly to amend the controversial wage legislation which triggered widespread industrial unrest.

Although the Government insisted that proposed exemptions to its freeze do not amount to a back-down on its wages policy, they cover almost every sector of the economy, ranging from agriculture, heavy industry and services.

Specifically, the amendments will exempt seasonally influenced industries, such as tourism and the construction industry, as well as industries with long production cycles, such as shipbuilding. Educational and health services might also be added.

The Government has been surprised at foreign interpretations of an interview Mr Branko Mikulic, the Prime Minister, gave to the West German Spiegel, the West German weekly news magazine. The interview was widely interpreted as indicating that the Government was prepared to use the army against strikers.

Mr Mikulic arrives in Bonn tomorrow. The main topic of his discussion with Chancellor Helmut Kohl will be to seek support for the Yugoslav stabilisation programme, including fresh access to money markets, easier terms for loans by the European Investment Bank, and rescheduling of Yugoslav debts.

Later this month Yugoslavia will meet its government creditors in Paris to discuss debt rescheduling after mid-May, when the present agreement runs out. At a news conference last week the Finance Minister, Mr Svetozar Rikanovic, expressed hope that talks will reach a satisfactory conclusion. Agreement would pave the way for similar talks with the international co-ordinating committee of bank creditors.

Yugoslavia's repaid $1.3bn of debt principal last year. Nevertheless its gross nominal debt in dollar terms at the end of 1986 was higher than at the end of 1985 because of changes in currency rates.

European call for closer defence links

BY JOHN WYLES IN ROME

GROWING DEMANDS for much closer European defence co-operation within Nato received important support yesterday from the Action Committee for Europe, the high-powered pressure group for political and economic integration.

At the end of a two-day meeting coinciding with the EEC's 30th anniversary celebrations, the committee undertook to produce a strategy for establishing a European "pillar" within the Alliance at its next meeting in Paris next January.

This is the first time since it was reconstituted two years ago that the committee has come out strongly in favour of defence co-operation on the basis that it is an essential component of a stronger European Community.

Preparation of a report for the next meeting will be supervised by Mr Jacques Chaban-Delmas, the highly influential president of the French National Assembly.

"We are working on the general premise that we cannot have stable or durable union or economic and social union of any type whatever, if we don't have a defence pillar in Europe and if we don't attempt to flesh out a system and policy for European defence," he said yesterday.

Mr Chaban-Delmas's evident support for a European security policy is seen as important confirmation of developments in French defence thinking. According to Mr David Howell, the former British Conservative minister, contributions from French members such as former ministers Maurice Faure and Jean-Francois Deniau as well as former prime minister Laurent Fabius indicated a new readiness to move away from the "fortress France" philosophy of the past.

The action committee comprises representatives from all 12 EEC countries, and the problem of grouping the entire Community behind a defence initiative was again highlighted by the dissociation from any references to security policy by the members from neutral Ireland.

Traditional fears in Europe that moves towards regional security agreements might prompt a weakening of the US commitment to European defence were largely absent from the discussion.

One West German participant said afterwards that people believed the US would welcome a European defence initiative. "The feeling was rather that without a stronger European defence effort, the US will go away," said Mr Howell.

In its declaration, the committee also called for Community action to achieve a border-free domestic market by 1992, to strengthen the European Monetary System (meaning among other things, bringing sterling into the exchange rate system) and reinforcing Community research and development.

Haughey pledge on accord

By Hugh Carnegy in Dublin

MR CHARLES HAUGHEY, the Irish Prime Minister, yesterday gave his clearest undertaking yet that he will not seek to renegotiate the 1985 Anglo-Irish Agreement on Northern Ireland, as he had indicated when in opposition.

Returned to office earlier this month, Mr Haughey said he continued to believe that Article One of the Agreement, which recognises the right of Northern Ireland to remain part of the United Kingdom so long as the majority there so wish, contravened the Irish constitutional claim to the whole island.

But, in answer to questions in Parliament, he said that his Fianna Fail government accepted the accord as an international agreement entered into by the previous administration, led by Dr Garret FitzGerald.

"Article One is an integral part of a binding international agreement. As such it could only be changed by mutual agreement (with Britain) and it is clear that this would not emerge," Mr Haughey said.

His Government "will fulfil and operate the Anglo-Irish Agreement" to the benefit of all people in Northern Ireland, especially the nationalist minority, he said. He confirmed that Mr Brian Lenihan, the new Foreign Minister, would co-chair the Anglo-Irish Conference with Mr Tom King, the Secretary of State for Northern Ireland.

The first meeting of the conference since the change of Government in Dublin is expected early next month.

Last year, Mr Haughey strongly criticised the agreement, saying its constitutional implications were unacceptable and asserting that the lot of nationalists had deteriorated under it. He told journalists he would seek to renegotiate the pact.

Since then he has gradually retreated from that stance. Significantly in the light of strong US support for the accord, he assured President Ronald Reagan in Washington last week that Fianna Fail would operate it.

BRANDT'S RESIGNATION

Vogel tries to rally the party

BY DAVID MARSH IN BONN

MR HANS-JOCHEN VOGEL, chairman-designate of West Germany's battered opposition Social Democratic Party (SPD) yesterday sounded a rallying call to preserve party unity after the trauma of Monday's resignation of Mr Willy Brandt.

He urged the party to put behind it the personality squabbles of the past few months and concentrate on a forthcoming series of crucial regional elections.

Mr Vogel, who will continue as leader of the SPD's parliamentary grouping, led the party unsuccessfully against Chancellor Helmut Kohl in the 1983 general election.

A shrewd lawyer with a donnish wit, Mr Vogel's performances in the Bundestag sometimes look sparkling compared with the plodding delivery of Mr Kohl. But his main strengths lie in organisation and in his ability to pull together disparate factions of the party, rather than in winning votes.

Vogel: call to colours

His marked lack of charisma — one of the reasons for his failure in the 1983 poll — rule him out as the candidate to lead the SPD in the next federal election in 1990. That role is likely to be taken by Mr Oskar Lafontaine, the small, rosy-cheeked prime minister of Saarland, whose thirst for power and delight in wielding it is sometimes compared, even by level-headed West German commentators, to Napoleon's.

In a clear exercise in damage limitation, Mr Vogel claimed yesterday that the party's speed in nominating him as a successor to Mr Brandt, who chaired the SPD in government and opposition for 23 years, was a mark of decisiveness.

Mr Vogel also said "continuity and innovation" would mark the SPD's future course. The party's next big test will come in the Hesse state elections on April 5, where the local SPD is battling to hang on to its traditional hold over the state and may well be forced into another coalition with the Greens ecology party.

Ukraine chief's fate in doubt

By Patrick Cockburn in Moscow

THE DISMISSAL in just over a month of four senior officials in the Soviet republic of Ukraine has cast doubt on the position of Mr Vladimir Scherbitsky, party chief there and one of the longest serving members of the politburo.

The determination of the central party secretariat in Moscow to exert control over the Ukraine was underlined last Friday by the dismissal of Mr Viktor Dobryk, party leader for the City of Lvov in the western Ukraine and a member of the ruling central committee in Moscow, for serious shortcomings in his work.

That followed last week's sacking of Mr Viktor Boyko, party leader in the important Dnepropetrovsk industrial region, for high-handed leadership. Last month the party leader in the Voroshilovgrad region was fired for arranging for a journalist investigating local corruption to be jailed on a trumped up charge.

Mr Shcherbitsky is the last important regional party chief to retain his position in the politburo under Mr Gorbachev but recent sackings do not necessarily mean that he will be forced to resign in the Ukraine where he has been party leader since 1972. They do imply, however, that his power over the Ukraine party is being steadily sapped.

Over the past two years, Mr Gorbachev and Mr Yegor Ligachev, number two in the politburo, have gone out of their way to break the back of the political machines dating from Mr Leonid Brezhnev's 18 years in power.

East laments Brandt's fall

BY LESLIE COLITT IN EAST BERLIN

"WE OUGHT to build a monument to Willy Brandt," a moist-eyed East Berlin housewife said shortly after learning that the former West German Chancellor and ex-Mayor of West Berlin had resigned as head of the Social Democratic Party (SPD).

"Der Willy," as he is known to Berliners East and West, was always more popular in Berlin and the East, where the SPD traditionally had a strong following. As governing mayor of West Berlin, he averted a blood bath in 1961 by persuading thousands of young West Berliners not to storm the newly-built wall.

But, if any monuments are going to be built to Willy Brandt in East Germany, they will not be public ones. Officially, Mr Brandt's exit from the political stage went unnoticed in the East German media, although one official privately called it "historical."

"He was too good for them," said an East Berliner of about 60, strolling on Unter den Linden. By "them" he meant the West Germans and the SPD, explaining that he was an SPD member before the division of Berlin in 1948.

Another East Berliner, a teacher, recalled her feelings in 1970, when Chancellor Brandt met Mr Willi Stoph, the East German Prime Minister, in Erfurt. Thousands of East Germans poured through police cordons into the square before the Hotel Erfurter Hof, where the Chancellor was staying. "Willy, Willy," they chanted, until he appeared at the window, waving hesitantly.

Order to freeze Swiss accounts

BY WILLIAM DULLFORCE IN GENEVA

THE SWISS Justice Department has ordered Crédit Suisse of Zurich to freeze five bank accounts which the US Securities and Exchange Commission (SEC) alleges were used in an insider-trading operation involving the former head of the London office of Merrill Lynch.

Mr Joergy Kistler, the department's spokesman, said two accounts belonged to Mr Nahum Vaskevitch, the former head of Merrill Lynch's London office, and Mr Daniel Sofer, an Israeli citizen.

The three other accounts were in the names of companies, Plenmeer Ltd of the UK, Meda Establishment registered in Liechtenstein, and Kedem Publishing Company, whose place of registration was not stated.

The SEC in New York has alleged in court that Mr Vaskevitch and Mr Sofer were involved in an insider trading deal resulting in $4m illicit earnings.

The Swiss acted after Washington had asked on Friday that the accounts be frozen under emergency procedure provided for in their 1977 treaty with the US on mutual legal assistance.

It gives the US 30 days in which to submit a formal request for legal assistance spelling out the case against the persons charged.

In effect, Mr Kistler said, it would be sufficient for the US Department of State to have the original request sent in English by telefax translated into German, French or Italian, one of Switzerland's official languages.

"The facts (contained in the emergency request) are convincing," Mr Kistler said, and would allow the freeze, aimed at preventing funds being transferred while the SEC is pursuing its investigation, to be maintained indefinitely.

The owners of the accounts have a right to appeal against the order to Crédit Suisse, but under Swiss procedure, the appeal process, which can go all the way to the Federal Tribunal or Supreme Court, can be protracted.

Cyprus deadlock move fails

By Andreas Hadjipapas in Nicosia

ANOTHER effort by the UN to break the Cyprus stalemate has failed—when relations between Greece and Turkey are reaching new tensions over the Aegean dispute.

UN officials had suggested "informal, separate, non-binding discussions" with the Greek-Cypriot and Turkish-Cypriot sides, as one way of working out a peace formula.

But the Turkish side refused to agree to such a procedure, insisting that the Greek Cypriots should first accept the "draft framework agreement" submitted to the two sides by Mr Javier Perez de Cuellar, UN Secretary-General, a year ago.

The Greek Cypriots say that document is unacceptable.

Rhine Army bomb hunt stepped up

By Peter Bruce in Bonn

BRITISH MILITARY and West German anti-terrorist authorities were trying without much success yesterday to discover who carried out a car bomb attack on the British Rhine Army headquarters on Monday night, injuring 31 people.

British suspicions centred on the Irish Republican Army, but West German officials insisted there was little firm evidence linking any group with the bombing.

A West German right-wing terrorist group—the National Democratic Front for the Liberation of West Germany—claimed responsibility yesterday.

The bomb blew a huge hole in an officers' mess at Rheindahlen, the British and Nato complex near Moenchengladbach, near Duesseldorf. Most of those injured, 27 West Germans and four Britons, were apparently attending a farewell party in the mess.

Barents Sea oil leases offered by Norway

BY KAREN FOSSLI IN OSLO

NORWAY'S latest round of offshore oil and gas licensing has avoided offering areas close to regions of the Barents Sea disputed with the Soviet Union. These will be offered in June, with Norske Shell and Total Oil Marine the leading contenders.

In yesterday's eleventh licensing round, three blocks in undisputed areas were offered Statoil, the Norwegian state oil company. Eight others are on offer to 19 companies, among them a newcomer, Braspetro, the international subsidiary of Brazil's state oil concern, Petrobas.

The Norwegian Oil and Energy Department is also offering for the first time so-called strategic blocks. These are awarded on the basis of geological mapping to assess their potential

France spins some fabulous figures around its Disney world

BY DAVID HOUSEGO IN PARIS

WEIGHING 4-5 kg, taking almost two years in the negotiation, the contract setting up Europe's first Disneyland park was signed in Paris yesterday by Mr Jacques Chirac, the French Prime Minister, and Mr Michael Eisner, chairman of the Walt Disney Company.

The agreement on bringing Mickey to France carries in its wake one of the largest construction projects of the next few years involving a first phase investment of FFr 15bn (£1.5bn).

It will complete the extension of the capital eastwards across land that has never been developed because it has lain across the path of a potential West German invader — "one of the best urban sites in Western Europe," Mr Chirac called it yesterday.

When the park is finished in 1992 — just as the Channel Tunnel should be nearing completion—it should attract 10m visitors a year, boost France's tourist earnings by FFr 7bn and create 30,000 jobs.

However, though the project is supported by both the former Socialist Government and by Mr Chirac's administration, and has 86 per cent public approval, according to a recent public opinion poll, its launch has also been coloured by doubts about the damage to French culture, the impact on the environment and the benefits to the taxpayer.

Both the Disney company and the French claim that in the negotiations — originally scheduled to last three months after the protocol signed in December 1985 — concessions have been made that leave benefits to both parties. Treasury officials say that the potential tax receipts to the French state are "fabulous" compared with the Government's direct outlay of about FFr 500m-FFr 600m on infrastructure.

Mr Eisner said: "We think that France is the ideal country in which to create a Euro-Disneyland." "The initial test of that will be the success of the fund-raising operation over the coming year aimed at putting together FFr 2.8bn of equity and FFr 12bn financing in all. Disney will hold a sixth of the capital in the new company being set up to build and run the site, and French and European shareholders more than 50 per cent.

Yesterday, Disney was unwilling to disclose details of how it plans to approach the financial markets or who its main shareholders will be. But FFr 3.8bn of the funds will come in the form of a fixed interest loan through the Caisse des Depots, the state-owned financial institution, at a concessional rate of 7.85 per cent.

Among the main concessions made on the French side either in the protocol or during the negotiations are:

- The reduction of VAT on entry tickets to 7 per cent from the usual 18 per cent. Special legislation was needed for this and it has been extended to other leisure parks.
- The carrying out of FFr 1.6bn of infrastructure work, including the extension of the suburban train line (RER), to the park entrance, and the building of two motorway link-ups. The state's share of this is a third, with the local authorities taking the rest. But the French partners claim that the cost is small beside the economic advantages that Disneyland and its back-up of hotels, offices and sporting activities will bring Disneyland will generate the equivalent of 0.25-0.3 per cent of additional GDP, French officials say.
- A concessional lending rate on terms normally only available to French public authorities.

The Disney negotiators agreed as their part of the bargain:

- To give France an exclusive concession in Europe and the Comecon countries for five years.
- To provide up to FFr 250m of financial guarantees against any abandoning of the project.
- To make French the principal language in the park and to include a major new attraction based on French culture.
- To give French and European companies 60 per cent of the engineering and architectural work and 90 per cent of equipment supplies.

The park in its first stage will include a golf course, 5,000 hotel rooms, 22,000 square metres of restaurant, shop and theatre space and 30,000 square metres of office space. It represented, said Mr Chirac, yesterday, "a great undertaking, a great ambition."

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PROFILE OF HAIG

Headstrong army man takes fresh stab at politics

BY LIONEL BARBER IN WASHINGTON

Haig—back in the fray

MR ALEXANDER HAIG, the four star general and former US Secretary of State who declared yesterday he would run for President, is an experienced but headstrong military man who so far has yet to master the art of being a politician.

A fit and tanned 62 year old, Mr Haig, a dark horse Republican, has survived open heart surgery, the Watergate scandal of the Nixon presidency, and ferocious criticism during his 18-month tenure as President Reagan's first secretary of state in 1981-82.

Much of this criticism was undoubtedly overcooked and stemmed largely from a dramatic moment when, shortly after the assassination attempt on President Reagan in March 1981, Mr Haig grabbed the microphone in the White House press briefing room and declared before the TV cameras "I am in control."

The incident was used by Mr Haig's critics within the first Reagan Administration to vilify the secretary of state as a power-grabbing megalomaniac and led to trench warfare between the State Department and the White House, supported by Mr Caspar Weinberger at the Pentagon.

Since his downfall — which came after numerous threats of resignation — Mr Haig retired to write a book about his Washington experiences, became a high paid business consultant, and toyed with the idea of running as the Republican's choice for president.

There is little doubt that Al Haig habbors a power vacuum. "What I offer is leadership . . . to take our country into the next decade," he said at a black tie fund raising in New York on Monday night, "to build a more prosperous America . . . and leadership, above all of an America willing and able to keep the peace."

But his qualities go beyond his assertive style. As a former Nato commander between 1974-79, Mr Haig built up good relations with US allies in Europe and a feel for foreign affairs not shared by some of President Reagan's Californian cronies such as Judge William Clark, once Mr Haig's deputy who later served briefly as National Security Adviser.

Mr Haig, a native of Pennsylvania, starts way back in the polls. At present, barely 5 per cent of Republican voters would back him in the party's nomination race. In spite of his high name recognition — far greater than for example Democrat presidential rivals such as former Arizona governor Bruce Babbitt and Congressman Richard Gephardt of Missouri—he is running against equally established national figures such as Mr George Bush the Vice President, Mr Robert Dole, the Senate minority leader.

Mr Haig's time, too, may have come and gone. His career highpoints in Washington came during the Nixon era when he was chosen to be Mr Henry Kissinger's deputy on the National Security Council, when dynamic global US diplomacy was in vogue, and in 1973 when he was chosen to be Mr Richard Nixon's White House chief of staff.

He did well, holding together a White House which was crumbling under pressure from the Watergate scandal. Though he supported Mr Nixon's wire-tapping of opponents, his reputation grew as he was credited with persuading Mr Nixon to resign.

Though moods can change in the run up to an election, it is far from clear that America wants a man for a crisis in 1988. Mr Haig may therefore be remembered in history as a gifted military leader who did more than most to mutilate the English language.

His mixture of bureacuratise, odd syntax and malpropisms have been dubbed "Haig speak." One characteristic example came when he blamed former President Jimmy Carter for "an almost conscious castration of America's eyes and ears around the world."

Banks in Brazil hit by strike

By Our Foreign Staff

Bank workers in Brazil began an indefinite strike yesterday to press for a 100 per cent wage increase, monthly cost of living pay adjustments and an end to redundancies.

The employers' association, Febraban, said private banks were able to operate normally, but the strikers said 40 per cent of 750,000 bank workers had come out on strike, making bank business impossible.

The strike brought Brazil's largest commercial bank, the Government-owned Banco do Brasil, to a halt. The bank's solidly unionised workers want the same pay and conditions as their colleagues at the central bank.

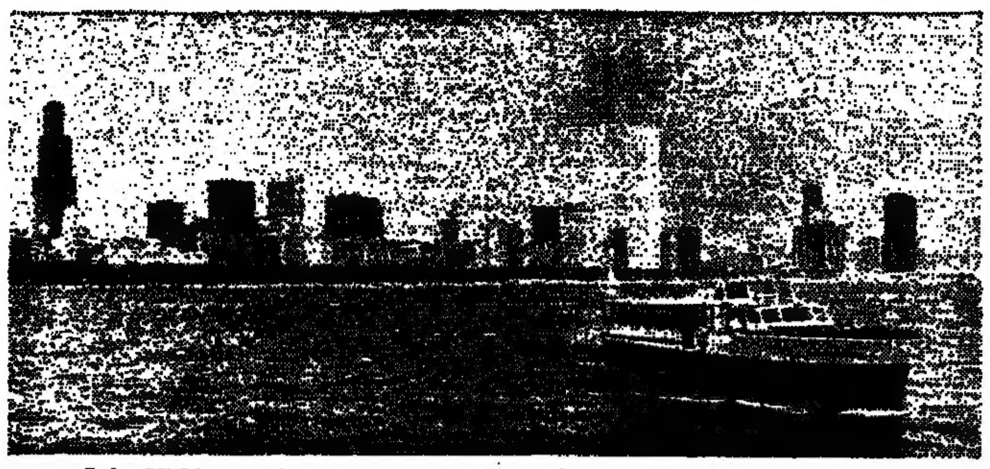
The Sao Paulo stock market, Brazil's most important traded normally yesterday.

Febraban said wages have already increased 44 per cent this year could rise further in April if March inflation is above 13 per cent. The strikers dispute these figures.

The bank strike is the latest in a wave of labour unrest among oil workers and seamen. The bank strike could further weaken Dr Dilson Funaro, the Finance Minister, who has offered the bank workers a 20 per cent increase.

David Owen reports on Chicago's problems as the water level continues to rise

Lake Michigan turns against Windy City



Lake Michigan: rainfall in the area higher than usual over the past 40 years

CHICAGO has never shown much respect for the force of nature. When in the 1850s, a worsening mud problem threatened to silt-up its streets, the entire city was raised building by building in a decade-long project. Forty years later, when Chicago River effluent threatened to poison Lake Michigan, city engineers stepped in to reverse its flow.

Now, as the events of February 8 graphically illustrate, nature, in the form of Lake Michigan, has again returned to haunt the city.

At 9 am on that fateful Sunday the lake, whipped to a frenzy by 50 mph winds, burst through a seawall on the city's north-eastern flank. By noon, large stretches of Lake Shore Drive, one of the city's main arteries, resembled Venice's Rialto.

Like Godot, such an event has been anticipated for a considerable time. As early as 1954, eight people were killed when a freak wave swept along the city's shoreline.

The root of the problem, it seems, is the region's changing weather. As the midwest climate has tended to grow cooler and damper, the lake's water level has gradually been rising. "Over the past 40 years, rainfall over the lake has been higher than usual," explains Mr Charles Shabica, chairman of Chicago's Lake Michigan task force and Professor of Earth Sciences at Northeastern Illinois University. "If the climate stays as it is, the lake will rise a further 1½ ft over the next several years," he adds.

Chicago, built as it is on a low-lying plain, would be particularly vulnerable to the consequences of still higher water levels. A not-yet-complete army corps of engineers' study reportedly estimates that the city's lakefront parks could disappear at a rate of some 35 ft a year unless urgent repairs are made to the existing seawall.

Despite this, plans to protect the city's 29-mile shoreline on a permanent basis remains sketchy in the extreme.

The tendency instead has been to rely on increasingly inadequate contingency measures. "Right now I have $4½m to protect a 2½-mile stretch of shoreline," says Ms Sheil Laikin of the Association of Sheridan Road Condominium Owners. This, she estimates, is sufficient to cover emergency relief in the form of sandbags and rubble breakwaters, but not to provide a long-term answer.

When celebrated local architect, Daniel "make no little plans" Burnham, in 1909 suggested 10 man-made islands as a means of preventing erosion by breaking waves before they hit the shore, the city was unable to drum up the necessary finance. When a revised proposal for up to 3,000 acres of islands, peninsulas and lake-shore extensions was drawn up in 1972, it met a similar fate.

Today, planners put the cost of such a project at approximately $800m. That sort of expenditure is probably out of the question for a city struggling to balance its books in the wake of sharp cuts in Federal aid.

Consequently, experts believe that the construction of an off-shore barrier to supplement the ageing seawall is the most likely course of action.

"Probably the best way to do it is to build a series of breakwaters a quarter to half a mile offshore as primary wave armour," says Mr Shabica. "Then the park district could landfill behind them to form either islands or a peninsula," he elaborates. "The maximum cost of such a structure would be about $5,000 a foot."

Allowing at least $45m for seawall repairs, the bill to protect Chicago's entire shoreline would still come to a prohibitive $4.30m. The most-threatened two-mile stretch, including property valued at some $1bn, could, however, be shielded in this way for a more manageable $25 to $30m.

Meanwhile, the recent inundation has predictably become something of a political football in the run-up to the city's April 7 mayoral election.

In 1979, current challenger Ms Jane Byrne earned the nickname "The Snow Queen" for her victory over former mayor, Mr Michael Bilandic. Her success was generally attributed to Mr Bilandic's unsatisfactory response to a heavy snowstorm.

Should she rally from behind to beat Mayor Harold Washington, in the forthcoming Democratic primary, local wits may feel justified in modifying Ms Byrne's alias to "the Lady of the Lake."

Pennsylvania town evacuated after plant blaze

ABOUT 18,000 residents evacuated from their homes in Nanticoke Pennsylvania yesterday after a chemical fire spread a cloud of toxic chemicals over the area, agencies report.

No injuries were reported from the toxic fumes.

The fire broke out early in the morning at the Spencer Metal processing plant outside the town, which is 100 miles north west of New York City.

The plant uses acids and alkaloids in metal plating. The fire was brought under control after five hours.

"The town is empty," Mr T. J. Federchuk, Nanticoke's municipal emergency manager, said.

"Police and National Guard units equipped with gas masks are patrolling the streets."

Firefighters had the fire under control, Mr Mark Metzo, a police spokesman said, but the evacuees will not be allowed back for at least 12 hours. Many people moved in with relatives and friends in nearby towns.

Environmental authorities said the acid fumes would begin to break up in the sunlight but that people with respiratory problems, especially the elderly, would be advised to be particularly careful.

Defence boosts orders for US durable goods

By Nancy Dunne in Washington

NEW ORDERS for US durable goods rose 6 per cent in February, boosted by a 48.9 per cent jump in orders for defence capital goods, like communications equipment, aircraft and missiles.

The rise in orders for durable goods, those expected to last three years or more, is a closely watched sector for signals about the health of manufacturing. However, in recent months the category has been volatile, particularly when orders for defence goods are taken into account.

The increase for February, the largest in five months, follows a record 9.9 per cent decline in January, when orders for defence capital goods fell 38.8 per cent.

In February, transportation equipment recorded the largest rise, up 11.1 per cent, following an 18 per cent decline in January. Strength was reported in military demand for aircraft, ships and tanks. Orders for electrical machinery rose 8.2 per cent, and primary metals orders moved up 13.9 per cent.

The important non-defence capital goods category, which includes machinery and non-defence communications equipment, fell 1.6 per cent last month. Analysts attributed the weakness to the new tax reform law, which removed benefits for business investment.

World Bank projects in India come under fire

BY NANCY DUNNE IN WASHINGTON

THREE WATER projects planned for India by the World Bank are at the top of a revised report sent to Congress of 28 development schemes which could damage the environment.

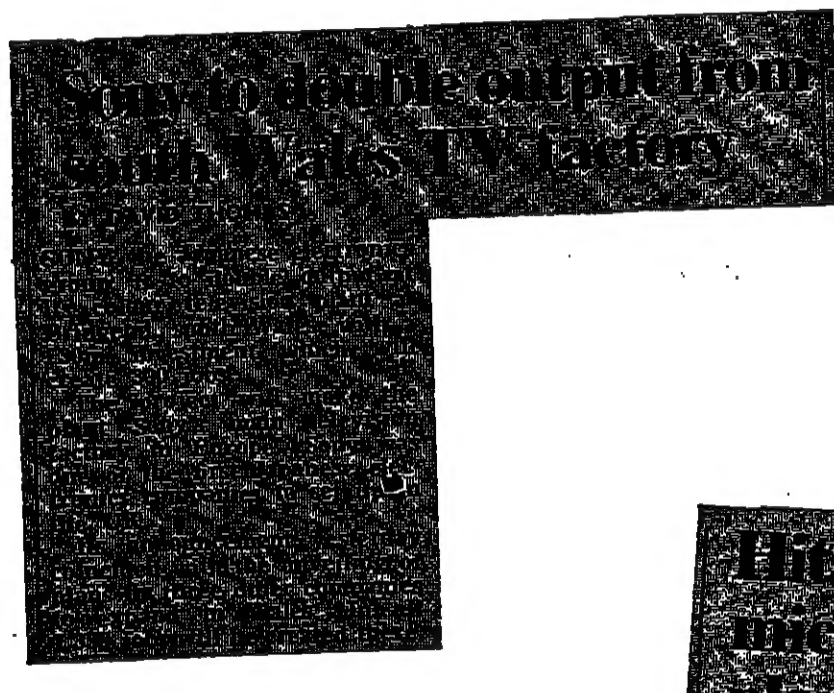
Congress last year began demanding a warning list of possibly hazardous projects after several witnesses told of environmental or resettlement disasters in projects in Brazil, Indonesia and Botswana.

The report, submitted by the US Agency for International Development as required by law, raises concerns that two Indian projects to develop the Narmada river basin could run into resettlement problems and may have a detrimental effect on irrigation water quality. The schemes are to be funded by a $350m World Bank loan for a dam and power project and a $70m loan from the bank's soft loan arm, the International Development Association (IDA), for a resettlement and rehabilitation project.

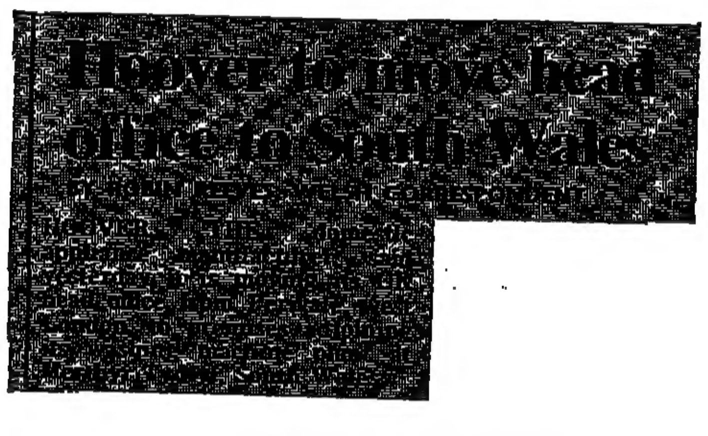
The report says discussions have been held with World Bank staff, which are concerned about the same issues and have developed a separate project to address resettlement problems. Further processing of the projects awaits environmental clearance from the Indian Government.

The report also raises questions about plans for resettlement in a $200m World Bank irrigation and agricultural project in Upper Krishna.

Follow the leaders



Financial Times, 3rd March '87.



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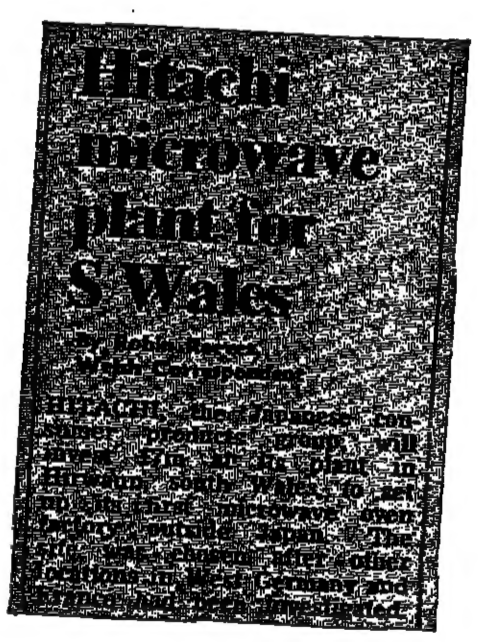

Financial Times, 13th January '87.

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OVERSEAS NEWS

Rocket crash seen as setback for India's space hopes

BY JOHN ELLIOTT IN NEW DELHI

INDIA'S space programme received a serious setback yesterday when an Indian-made satellite launch vehicle crashed in the Bay of Bengal less than three minutes after blasting off from Srihatikota near the southern city of Madras.

The launch was watched by Mr Rajiv Gandhi, Indian Prime Minister, who admitted it would delay the space programme. But he tried to minimise the impact on his country's search for self-reliance in space technology by saying that all such programmes ran into problems.

The launch vehicle, carrying a 145 kg satellite, was made in the southern Indian city of Trivandrum and was one of a second generation produced for the Indian space research organisation which intended to use it for low earth orbit missions.

Professor U. R. Rao, chairman of India's Space Commission, said later that the rocket seemed to have malfunctioned after the first stage motor ignition. "The stage separation took place, but may not have been at the right time," he added.

India started its space programme in 1962, aiming at eventual technological self-reliance, and is spending Rs 2.65bn (£128m) in the current year. In 1980 it became the sixth country in the world to build a satellite, weighing 40 kg, and send it into space using its own launch vehicle.

It has also used US and Soviet rockets for other launches and intends to use the European Ariane system next year.

Space technology is important to India which is using satellites to improve its telecommunications and television and for meteorological work, especially advance forecasting of monsoons. Yesterday's crash involved an augmented satellite launch vehicle.

● Mr Gandhi appeared last night to be heading for a political setback with a likely defeat of his Congress I Party in regional assembly elections in the southern state of Kerala.

In recent weeks Mr Gandhi has campaigned personally against a communist-led Left Democratic Front coalition, which last night seemed set for victory. The expected result would be a blow to his political prestige.

This is one of three state assembly elections which took place on Monday and is the one where Mr Gandhi hoped to win a significant victory by keeping a coalition led by his party in power.

In West Bengal his party has had little chance of defeating another communist-led coalition which appeared last night to be heading for a convincing victory.

In the northern state of Jammu and Kashmir, Mr Gandhi's party is backing a national conference party which seemed set for victory.

Colina MacDougall reports on a campaign to reunite the divided loyalties of the military

China reminds army of lessons of Lei Feng

LEI FENG, a young soldier whose *humble role* as a "rustless screw" in Mao's grand design was a model for China in the 1960s, has ominously reappeared as a suitable example for the army of today.

In the last few weeks a revived "Learn from *Lei Feng*" *movement* has begun to take off. This argues significant support in sections of the army for *something even tougher* than the military's present "anti-bourgeois liberal" campaign, announced in February after the winter's student demonstrations and the dismissal of party general secretary Hu Yaobang.

The "anti-bourgeois liberal" movement had already indicated that conservatives were to the fore both nationally and in the army. New references last month to the army as a "pillar of the proletarian dictatorship" suggested that some military conservatives were pushing for a still larger role.

The resurrection of Lei Feng *is an oddity in today's more* sophisticated China. Relentlessly washing socks and patch*ing shoes* for his fellows, Lei Feng came to an inglorious end when an incompetent driver backed his truck into a telegraph pole which fell on him. His posthumously published diary, stuffed with boy-scout-style good deeds, was trumpeted *throughout China in the* mid-60s as educative reading for the young.

The call *to learn from* Lei Feng was launched in mid-February by no less a person than 71-year-old General Li Desheng, a *formidable* soldier whose armies captured Seoul in the Korean War. Once a member of the *ruling* Politbureau Standing committee, he was a strong supporter of the Gang of Four in the Cultural *Revolution* and a colleague of Mao's now disgraced nephew, Mao Yuanxin. Today, demoted since the rise *of* supreme leader Deng Xiaoping, he is political commissar at Peking's new National Defence University and a member of the increasingly powerful State Advisory Commission.

Earlier this month the Lei Feng campaign was taken up nationally by conservative leaders at a *meeting* in Peking. Widely reported in China, the meeting held him up as a model for the army and for all China's young people.

The army is already the target of *China's most rigorous* "anti-bourgeois liberal" campaign. Two important circulars on *opposing* "bourgeois liberalism" have been published, one by the party's key Military Commission, and one by the army's General Political Department. While they concede that reform and modernisation must continue, they stress that political education *is vital*.

This may reflect doubts among China's senior leaders as to where the *military's* loyalties lie. Two days after Hu was dismissed, Chief of Staff Yang Dezhi *emphasised* to senior officers in Canton that they should strictly observe discipline and "resolutely" support the Central Committee's decision to sack Hu.

While the military's top political commissar, Politbureau *member* Yu Qiuli, recently praised the "stability and unity" of the army, this is a phrase which occurs in China when things are less than stable. Hinting at loyalty problems, Guo Linxiang, of the army's General Political Department, called last month for the army to be "unconditionally subordinate to the interests of the majority at all times."

Much of the gist of the anti-bourgeois-liberal movement in the army *has related to* discipline, obedience and the primacy of the party, which should, in Mao's often-quoted words, "command the gun, not the gun the party."

In recent years the military has been through a modernisation process which has not improved its cohesion. The manpower cuts promised two years ago from over 4m to 3m have meant bitter warring between elderly officers reluctant to go and younger, better-educated men after their jobs. The reorganised units now uncomfortably combine men with widely differing loyalties.

On top of that army men, like almost everyone else in China in recent years, have exploited the new freedoms of the reform.

From left: Li Desheng: launched campaign; Yu Qiuli, praised unity of army; Yang Dezhi, supported decision to sack Hu.

Some pursued personal fame, abused power, sought gain and pleasure, and some even "practised graft and embezzlement and embarked on the road of crime" charged Yu Qiuli, in a recent article in the party journal Red Flag.

Divisions between conservatives and reformers in the military are underlined by how patchily the Lei Feng campaign at first appeared. The circulars published by the party's Military Commission and the army's General Political Department did not mention it. Lei Feng first surfaced on a local level in Shenyang, Li Desheng's old parish, but initially other military units paid little attention. After this month's high-level Lei Feng meeting, it may now spread nationwide.

There has been overt opposition to the Lei Feng movement. Li Desheng accused China's "bourgeois liberals" of calling it "*leftist*."

"They said it would just create tools, not train people," he declared.

With Deng's increasing age and the recent dismissal of Hu Yaobang, vital jobs such as Deng's chairmanship of the Military Commission will more and more appear to be up for grabs. The different voices now speaking in China reveal ever more clearly the rival factions aiming for power in this increasingly fluid situation.

Hong Kong newspapers welcome Macao accord

BY DAVID DODWELL IN HONG KONG

HONG KONG'S English and Chinese language newspapers were universally positive yesterday in welcoming the Sino-Portuguese agreement on the return of Macao to Chinese sovereignty in 1999 – even though no details of the agreement will be revealed until tomorrow.

The Portuguese Government was congratulated in Hong Kong's English language papers for appearing to have wrung concessions from China on the right of residents in this tiny enclave of 450,000 people on *China's southern coast* to hold dual nationality.

Macao, 40 miles west of Hong Kong across the Pearl River delta, is Portugal's last colonial territory. It has held power there for over 400 years, and has always regarded residents as full Portuguese citizens.

The British Government, which took two years of often vitriolic negotiation to reach agreement with Peking on the terms under which China would resume *sovereignty* over Hong Kong in 1997, failed to win any concession allowing dual nationality – though there are *doubts in Hong Kong* that British negotiators fought fiercely over this issue. Hong Kong residents holding British *overseas* passports have no right to live in the UK.

Most Hong Kong newspapers wasted no time in saying that Peking's *sights were now focussed on* Taiwan. They ignored or glossed over questions over how continuity *is to be maintained in Macao's* civil service – which is at present manned exclusively at a senior level by expatriates from Portugal on *two and four year contracts* – and the fate of a judicial system that uses the Portuguese language, and is based on a legal code used nowhere except Portugal.

Macao has no Chinese judges or lawyers, and career prospects are so limited that the likelihood of recruiting them in future is regarded as slim.

They credited the swift completion of an agreement, which was *signed in Peking on the eve of Chi*na's National People's Congress after just four negotiating sessions spread over less than nine months, on the blueprint provided by the 48-page Sino-British declaration on the future of Hong Kong, which was ratified *at the end of 1984*.

The Wen Hui Pao, which is often a good barometer of opinion in Peking, argued in an editorial that the agreement *demonstrated* that China was sincere *in implementing* the "one country, two systems" policy that had also been the guiding principle for the agreement on Hong Kong's return to Chinese sovereignty.

An editorial in the South China *Morning Post*, Hong Kong's leading English language newspaper, talked of the settlement as "a considerable victory for both the Chinese and *Portuguese sides*, and a significant boost to confidence in Hong Kong."

It went on to suggest that the agreement on Macao illustrated the flexibility of the "one country, two systems" formula for handling dif*fering circumstances and demands*, "thus arguing well for the eventual reunification of Taiwan with the mainland."

In the absence of any knowledge *of the details of the agreement*, confidence appeared to be based exclusively on the leaks on dual nationality.

For most Hong Kong people, the Portuguese territory remains of interest as a gambling resort, and as a manufacturing base for companies that can benefit from its liberal trade access to the US and European markets.

At a political level, there has been rather little interest in Hong Kong over the past year in Portugal's negotiations over the future of Macao. The territory has been much more powerfully influenced by Peking in recent years than has Hong Kong, and local people appear less strident and sensitive over the civil liberties that have been the focus of so much concern in the larger British territory.

China's ex-party chief to re-emerge in parliament

BY ROBERT THOMSON IN PEKING

HU YAOBANG, the former Communist Party general secretary, is to attend the opening session today of China's parliament in his first public appearance since his forced resignation in mid-January.

Hue, reported to have been severely depressed in recent weeks, was formally chosen yesterday to sit on an elite group presiding over the National People's Congress (NPL), China's version of a parliament.

Diplomats had suggested that the NPC could approve important personnel changes to fill gaps left in the leadership by Hu's demise, but an NPC spokesman said yesterday that no senior appointments would be made. At present, Zhao Ziyang is both premier and acting party chief and it had been thought that a new vice-premier could have been appointed to pave the way for the selection of a new premier.

However, it now seems likely that the appointments will be made at a party conference in the autumn. Zeng Tao, the NPC spokesman, said there was no opposition to Hu being selected for the NPC leading group: "I attended the preparatory meeting, and I didn't see anybody cast a dissenting vote."

Hu Yaobang was forced to submit a humiliating self-criticism with his resignation in January after having clashed with elderly Communist Party leaders, including the paramount leader, Deng Xiaoping, on numerous issues, including his allegedly "soft" approach to Western influence.

Diplomats said Hu's imminent reappearance is a sign that he will retain his position on the powerful Politburo for the time being.

South African right fails to agree on election pact

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S two feuding right-wing parties, the Conservative Party (CP) and the Herstigte Nasionale Party (HNP) have failed to agree on an election pact which would have presented the ruling National Party with a powerful right-wing challenge.

Instead of pooling their forces it appears that the CP and the HNP will fight each other for the right-wing vote in over 100 constituencies.

The idea behind the mooted election pact was that the HNP would not present candidates in the 17 constituencies presently held by the CP while the latter would not present candidates in 10 marginal constituencies where a combined right-wing vote stood a good chance of unseating the ruling NP candidate. Similar tactical alliances between the two would be worked out on constituency level elsewhere.

But the refusal of the CP to stand aside in the Pretoria constituency of Hercules in favour of the HNP leader Mr Jaap Marais and a combination of personal and ideological differences between the two parties' leaders frustrated a last minute attempt to forge a pact before the March 31 candidate nomination deadline.

The depth of personal bitterness between Mr Marais and Dr Andries Treurnicht, the CP leader, stems from the early 1970s when the latter, then chairman of the Afrikaner Broederbond secret society, expelled the HNP and its supporters from the organisation.

This followed the HNP's walk out from the National Party in protest against the Government's decision to allow a New Zealand Maori — in South African terms a "Coloured" — cricketer to play in South Africa.

The refusal of Mr Marais and his supporters to compromise sufficiently to permit a tactical election alliance with the CP has angered the Afrikaner Resistance Movement (AWB) whose leader, Mr Eugene Terre' Blanche, has gained considerable prestige by acting as mediator over the last six weeks. However, it has delighted the ruling National Party.

Terre 'Blanche: gained prestige

Iran warns US on Gulf intervention

By Our Middle East Staff

Iran yesterday reacted sharply to American offers of protection for Kuwaiti warships, saying that if the US intervened in the Gulf, the entire world would become unsafe for Americans.

US officials have said in recent days that the US navy, which has about 24 warships in or near the Gulf, was prepared to escort Kuwaiti tankers, which have been regular targets for Iranian attacks. Washington is understood to be still awaiting Kuwait's reply.

Mr Casper Weinberger, the US Defence Secretary, said on Sunday that the US was drawing up contingency plans to safeguard shipping in the Gulf. "It's been the policy of the United States that we need to have the freedom to navigate, and our friends and allies need to have the opportunity to send shipments through without having their ships destroyed," he said.

But in an interview reported by the Iranian news agency yesterday, Hojatoleslam Akbar Rafsanjani, the influential speaker of the Iranian Parliament, said it was Tehran's prerogative—as the country with the longest Gulf coastline—to safeguard security.

"If US intervention occurs, the entire world will become insecure for the Americans and the events of Lebanon could be repeated for the Americans everywhere," he warned in a reference to the 1983 car bombing of US military headquarters in Beirut in which 241 marines died.

King Fahd of Saudi Arabia (right) was given a full ceremonial welcome by the Queen in London yesterday as he arrived for a state visit designed largely as a symbol of the close political and economic ties between the two countries.

It is the Saudi monarch's first official trip to Britain since he came to the throne.

Korea economy grows by 12½%

THE South Korean economy grew by its highest rate in nine years last year, provisional central bank figures released yesterday show, Reuter reports from Seoul.

The Bank of Korea said Seoul's export-led economy grew 12.5 per cent, reflecting soaring exports and increased investment, compared with a 5.4 per cent rise in gross national product in 1985.

Trade Ministry officials said low oil prices and a strong yen made South Korean exports more competitive and led to its first-ever trade surplus of $4.2bn last year.

Government officials forecast the country's economy would grow at least 8 per cent this year despite increasing protectionist pressures in the US.

Conable urges Indonesia reforms

BY JOHN MURRAY BROWN IN JAKARTA

MR BARBER CONABLE, president of the World Bank, said yesterday that increases in Indonesia's borrowing from the bank depend on Jakarta's implementation of further economic reforms.

Speaking at the end of a four day visit to Indonesia — the bank's second largest creditor world-wide — Mr Conable said further loans would be "forthcoming if the Government continued its adjustment process."

The bank recently agreed a $300m trade policy loan with Indonesia, which faces an economic downturn following a fall in earnings from oil, its main export. The Philippines was hitherto the region's only recipient of such balance of payments support from the bank — more commonly associated with Africa than Asia.

Such assistance — as distinct from project aid — last year accounted for 30 per cent of the bank's lending to Indonesia, officials said. This compares with a figure of 20 per cent world-wide.

The Government has recently introduced various policy reforms: it has increased areas open to foreign investment and scrapped a number of trade and import monopolies, said to be the main reason for the country's high cost economy.

Indonesia, long considered a good credit risk now faces a 32 per cent debt service ratio — service payments on the country's $30m public debt as a percentage of exports of goods and services. Total debt, government and private is currently put at $37m.

Mr Conable yesterday argued that the debt service ratio was the result of "extraneous factors" — in particular the recent appreciation of the yen.

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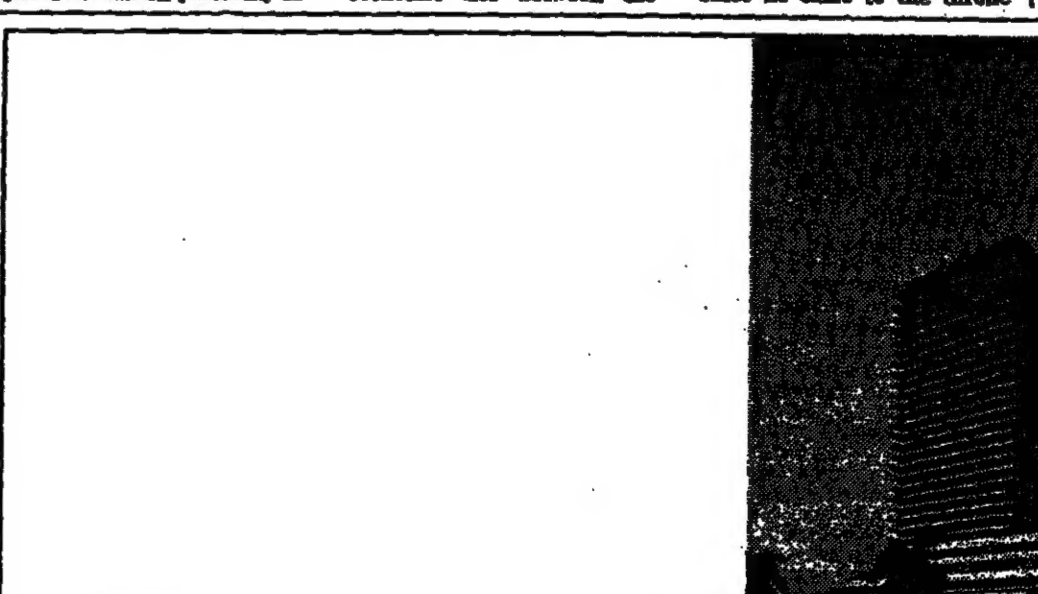

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China urges US to relax controls on high technology

BY DAVID MARSH IN BONN

A CALL for the US and its allies to relax controls on high-technology trade with China was made yesterday by Wu Xueqian, the Chinese Foreign Minister.

At the end of a five day visit to West Germany, the Chinese Minister said that measures already taken to loosen export regulations covering the West's trade with China had not gone far enough.

Wu described the controls as "not sensible." He declined to go into details about what proscribed products China would like to buy from the West.

But industry observers believe that Peking is interested in increasing the sophistication of its electronics imports, including defence equipment.

The Co-ordinating Committee for Multilateral Export Controls (Cocom), the Paris-based organisation which vets the West's trade with the Eastern bloc, has over the past year liberalised controls over some areas of trade with China.

Wu said he believed West Germany and other West European nations were urging further relaxation of technology transfer rules, but indicated this was meeting opposition from the US.

If the US now thought of China as a "friendly, non-aligned country," Wu said, this should have consequences for the country's treatment at Cocom.

Wu, who has also been visiting several east European countries, travels tomorrow to Switzerland. During his stay in Bonn, he signed an agreement under which West Germany will finance DM 70m (£24m) of trade and investment with China.

Questioned about German disappointment at China's decision last year not to buy nuclear reactors from the Federal Republic, he said talks iwth West German industry over nuclear co-operation were continuing.

Kraftwerk Union, the big German power reactor company, hwose hopes of landing important nuclear power station contracts were dashed last year, is known still not to have completely ruled out chances of some sort of nuclear agreement with China.

John Murray Brown reports on Indonesia's burgeoning countertrade with the countries of Eastern Europe

Business not politics as Jakarta turns to Comecon

Faced with deteriorating terms of trade and protectionism in its traditional commodity markets in the West, Indonesia has shown pragmatic flair where commercial gain is at stake. Even China, while kept at diplomatic arm's length, now enjoys trade links with Jakarta.

HOW do you sell Polish hams to Indonesia, the world's largest Moslem nation? Such conundrums are now the staple diet of Indonesian officials pursuing countertrade deals with the Comecon countries of Eastern Europe.

Indonesia by all accounts is fast acquiring a taste for barter, long favoured by the East bloc nations.

The past few weeks have seen senior ministers from the Soviet Union, Czechoslovakia and, most recently, East Germany, arriving in Jakarta for talks on everything from countertrade to buyback schemes to possible joint ventures. Bulgaria then became the first Comecon country to agree barter terms on two separate deals worth a total of $70m, the follow-up to a trade protocol signed in Sofia last November.

Indonesia launched an official countertrade policy in 1982 in a limited form that only involved government contracts and still required cash transactions. Contracts worth $1.5bn have so far been concluded.

Countertrading with the East bloc, however, marks a new departure for this staunchly anti-Communist country. The Government's official sanction has been vital for what is largely a private sector activity. A trip by President Suharto to Hungary and Romania in 1985 signalled a thaw in relations frozen since the days of former President Sukarno, a close friend of both Moscow and Peking.

Faced by deteriorating terms of trade and protectionism in its traditional commodity markets in the West, Indonesia has shown pragmatic flair where commercial gain is at stake. Even China, while officially kept at diplomatic arms length, now enjoys trade links with Indonesia, recently bartering Chinese coal for Indonesian cement.

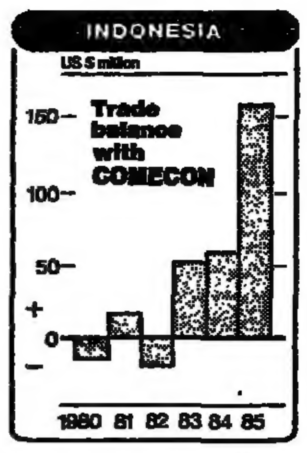
"We do business not politics," says Mr Halim Talib, who runs both the Comecon and EEC trade divisions at the Indonesian Chamber of Commerce (Kadin).

Trade with Comecon satisfies Indonesia's need to conserve scarce foreign exchange and diversify markets, all the more urgent following the dramatic downturn in earnings from oil, traditionally its main export. But finding products to buy from these countries has proved more difficult. Hungarian light-bulbs, East German typewriters, Czechoslovak tractors and, of course, Soviet-built monuments are all that remains of Mr Sukarno's flirtation.

Since the oil boom years of the 1970s, Indonesia has been courted by Western suppliers, all keen to tap this huge domestic market. As a result many Indonesian importers now fight shy of Comecon products, complaining of poor quality and late delivery. "The reasons are always technical," says Prof Suhadi Mangkusuwondo, director of research at the Department of Trade and architect of Indonesia's barter programme. "Brand names are not known, there is no technical backup, spare parts are difficult to get and the financing not widely available."

In addition, as most transactions have been conducted by government bodies, Indonesian businessmen remain unfamiliar with the complexity of trade with Comecon. In 1976 the Government appointed P. T. Pantja Niaga, the state-owned trading house, to co-ordinate and normalise economic ties.

However, trade volume is still low. In 1985, for example, Indonesia's two-way trade with the seven members of Comecon plus Yugoslavia was $228m, with a $158m surplus in Indonesia's favour. This is only a fraction of total non-oil trade, with exports at $5.9bn and imports at $10bn over the same period.



Indonesian officials now recognise that more balanced trade relations are the key to increased business with the East Bloc. "Balanced trade was not a socialist invention. Even countries like the US are keen to reduce surpluses with their trade partners," says Kadin. A series of Indonesian missions to Eastern Europe in 1986 provided the opportunity for importers to shop around for industrial goods, suitable for the home market.

In July last year the Government appointed Cargill Inc, the giant US grain dealer, to help boost trade with Comecon. Officials even talk of setting up a distribution point inside the East bloc for Indonesian commodities, currently sold through Hamburg and Rotterdam. Cargill's experience as match maker in such deals is considered all important.

"We turn bilateral into multilateral business," says Mr Ibrahim Risjad, a director of Cargill's Indonesian partner, P. T. Rexford Pratama. Under the umbrella of Geneva-based Tradax Ocean Transport, Cargill provides a clearing account for Indonesian commodities destined for Eastern Europe.

On the deal signed with Intercommerce of Bulgaria for example, Cargill will match Indonesian products, principally rubber, coffee, tea, tin and finished timber, with Bulgarian electrical equipment, fertilisers and steel for ship building, finding third, or even fifth parties for as much as 50 per cent of the contract. Cargill points out that countertrade is at an experimental stage. However, Prof. Suhardi, who acts as Indonesia's chief negotiator at the General Agreement on Tariffs and Trade, already has grand designs to boost East European trade to 15 per cent of total trade in the next few years.

Ericsson wins breakthrough Algerian order

By Kevin Done, Nordic Correspondent in Stockholm

ERICSSON, the Swedish telecommunications group, has won a breakthrough contract in Algeria for the supply of digital public switching equipment.

The group said that the order represented "a system choice for the future expansion of the Algerian network."

The contract, won in the face of stiff competition from Siemens of West Germany, Alcatel of France and Northern Telecom of Canada, is initially worth around SKr 400m (£41m).

The financing of the contract has been backed by concessionary Swedish development aid funds with at least 25 per cent of the total coming as grant aid in the form of interest rate subsidies.

"A condition for winning the order was the availability of soft financing." Mr Bo Wall, Ericsson's marketing manager for Africa, said.

As part of the deal, Ericsson has also entered into a 10-year agreement on future industrial co-operation with Algeria involving the local production of its Axe digital public switching equipment.

A joint venture is to be formed with ENTC, the Algerian state-owned telecommunications equipment maker, in which Ericsson will own 35 per cent.

It is planned that the joint company will eventually produce up to 200,000 lines a year of Axe equipment with initial production beginning within two years.

The breakthrough order signed this week, which has been under negotiation since 1983, covers the supply of one international exchange, three transit exchanges, one local tandem exchange and 90,000 local lines.

The equipment will be supplied from Sweden and is due for delivery during 1988 and the first half of 1989.

Yeutter sees Gatt consensus on farm trade

Mr Clayton Yeutter, US trade representative, said yesterday that trade ministers meeting in Taupo, New Zealand, have reached a general consensus on agricultural trade reform under the latest Uruguay round of the General Agreement on Tariffs and Trade (Gatt), Reuter reports.

Mr Yeutter gave no precise details of the understanding but said the consensus covered the principles involved in agricultural trade reform and what needed to be done to improve the global situation in agriculture.

Delegates from 22 countries are meeting informally to discuss progress made since the latest Gatt round was launched in Punta del Este, Uruguay, last September.

Mr Yeutter said: "At least, people seem to be going down the same road . . . but how that translates ultimately into negotiations is another matter."

There seemed to be an understanding of the need to deal with the problem quickly

Non-tariff trade curb 'hits Third World'

Developing countries have suffered far more than the industrial nations from the proliferation of non-tariff trade restrictions over the past decade, according to a new study by the secretariat of the United Nations Conference on Trade and Development (Unctad), William Dullforce reports.

Over 30 per cent of developing countries' exports of manufactures to the developed market-economy countries were subject to non-tariff measures in 1986, Mr Baghirath Das, director of Unctad's manufactures division, said yesterday.

The corresponding ratio for trade in manufactures between the developed nations was less than 18 per cent.

S KOREA DEFENCE MARKET

W European contractors begin to make inroads

BY MAGGIE FORD IN SEOUL

EFFORTS by West European defence contractors to make inroads into the South Korean market, dominated by the US since the Korean war 35 years ago, are beginning to meet with significant success.

A number of contracts have already been won by British companies, and the pace has quickened since South Korea's President Chun Doo Hwan visited Europe last year.

A consortium, including Ferranti and Marconi, have provided a command first control system for surface ships worth $35m and Shorts Bros successfully bid for a $30m contract for the Javelin low-level air defence system, which could be expanded.

France was successful several years ago in selling helicopters to the South Korean Navy and the West German company MTV has supplied the engine for a battle tank being manufactured by the South Korean conglomerate Hyundai.

The European companies' success is based partly on their willingness to transfer technology, defence analysts say.

US companies are always likely to make the running on very large orders, however, because of the close relationship between the two sides.

The US has 40,000 troops based in the country. Washington is also increasingly concerned about its substantial trade deficit with South Korea.

US suppliers have been loth to transfer technology in the past, not least because South Korean companies have succeeded in taking over Far Eastern markets from US products when they have done so.

Two British companies have already set up technology transfer deals in the defence area in South Korea.

Self Changing Gears, a Coventry company formerly part of British Leyland, has provided the technology for gearboxes for armoured personnel carriers being made by Daewoo, another South Korean conglomerate.

The second company, Fairey Marine, based in Cowes, has exported combat patrol boats which will eventually be manufactured in South Korea under licence.

European suppliers also see opportunities where weapons systems have already been bought by the US forces. France hopes that its Rita ground telecommunication system, already sold in the US, will be bought by the South Koreans, although Britain is likely to push strongly for a variant on its Ptarmigan system.

Sales efforts directed at the navy are felt to have more hope of success than in other branches of the defence forces because of its greater autonomy.

Pan-European efforts are already being made to interest the South Koreans in the Tornado, the jet fighter made jointly by BAe, AERitalia of Italy and MBB of West Germany. South Korea's air force is expected to buy up to 130 new aircraft over the next few years.

PRUDENTIAL CORPORATION PROFITS UP 62%.

RESULTS 1986

	1986 £m	1985 £m
Profit before tax from:		
Life, pension and other long-term business	145.5	137.7
General insurance business	(5.1)	(53.4)
Investment management (UK)	6.4	1.6
Shareholders' other income	31.3	24.2
Total profit before tax	178.1	110.1
Tax and minority interests	(60.5)	(32.7)
Profit attributable to shareholders	117.6	77.4
Earnings per share	34.5p	24.5p*
Dividend per share	29.0p	24.8p*
Policyholders' bonuses	£977.4m	£928.3m

LONG-TERM BUSINESS

Bonuses on UK with-profit policies have again been increased ... maturity amounts of up to 14%. Some of the ... policies have taken the form of terminal bonuses ... special reversionary bonuses. ... during 1986 was the purchase of the rapidly ... Jackson National Life ...

GENERAL INSURANCE BUSINESS

INVESTMENT MANAGEMENT (UK)

OTHER ACTIVITIES

Total profit before tax for 1986 increased by 62%.

There was strong underlying growth in the profits from long-term business and the results of general insurance business showed substantial improvement.

The directors have declared an increased final dividend of 19p per share. After adjusting for the rights issue, the total dividend for the year is 17% higher than for 1985.

MANAGEMENT

Strategic realignment

Why Philips wants to be 'leaner and meaner'

Cor van der Klugt (left) explains to Laura Raun his plans for the electronics group

THEY WILL, when they go through, be the largest compulsory redundancies the highly paternalistic Dutch company has had to impose in its post-war history: 900 jobs in three plants of the electrical group, Philips, since December. Most recently, 200 job losses have been announced at its audio visual pilot plant so that advanced high-tech equipment can be introduced, although the company subsequently agreed to further talks with unions.

"The need for a factory in each town, each country, is no longer a basis from which to compete. Either they close or we go bankrupt, so we will close them," says Cor van der Klugt, who at 61 is just one year into the presidency of a group he is committed to making "leaner and meaner."

But the fact that in its home country Philips must perform such a prolonged "ritual dance," as van der Klugt calls it, for a change so modest in terms of its overall international business is a neat illustration of the culture gap the electrical group is now trying to budge.

Philips is Europe's largest electronics concern and makes a broad range of products that covers nearly every gadget that can be plugged into the wall. It pioneered the technology behind compact disc players, where it claims one-quarter of the world market, and also leads the world in colour televisions, electric shavers and *lighting equipment. The company is active in microchips and telecommunications equipment as well.*

Last year Philips lifted its profits by 10 per cent to Fl 919m (£280m), mostly thanks to extraordinary gains, after suffering a 17 per cent plunge in 1985. Sales fell 8 per cent to Fl 55bn in 1986 after rising by 12 per cent in 1985. Some 344,000 employees work in 60 countries worldwide.

Van der Klugt is only now *beginning to make public his* strategy for reshaping a company known for its relaxed, family atmosphere into a more profitable concern capable of a profit-to-sales ratio beyond the lacklustre 2 per cent now to 3 or 4 per cent.

A starting point is management, which has been criticised for its sometimes clumsy matrix organisation. Under the system the nine product groups form the horizontal axis of the matrix and the 60 countries, called *national organisations*, form the vertical axis.

Although van der Klugt has recently hinted of moves away from the matrix system he insisted last week that the concept would remain. What is happening though is a shift towards a more global approach.

"We are changing from a federation of enterprises drawing for their strength on a central potential called Eindhoven into a company that is a close-knit total," he says. "The key word is global and if you want a global approach you can only do so from one strategic command."

For the creation of the product the emphasis is on the strategic centre (Eindhoven), he says. "For the defence of market share and profit the accent is on the national organisations, but always in a strategic plan for which the product division is responsible."

A career veteran of Philips, the world's second largest company in consumer electronics after Japan's Matsushita, van der Klugt staunchly defends *the role of the national organisations* in 60 countries.

"The great strength *Philips* has built up in the countries—we speak the language, we know the people and the politics—must not be lost," he contends. Critics, though, charge that it is precisely Philips' local loyalty that keeps it from closing factories and laying-off workers to raise productivity and profitability.

Van der Klugt counters with the fact that 80 plants have been closed over the past five years, or 16 per cent of the more than 500 in 1982. But when asked how many more factories must be closed and where, the evasive van der Klugt repeatedly declines to answer.

Van der Klugt took over the helm of Philips in April 1986 from Wisse Dekker, a sweeping figure who led an energetic campaign against Japanese competition and for European unity. Dekker remains an integral part of the company, however, as chairman of the supervisory board with an office just down *the hall from van der Klugt.*

In recent months van der Klugt has begun to put his stamp on the 96-year-old company, the full name of which is Philips Gloeilampenfabrieken, or Philips Light Bulb Factory.

Philips' family-style of management often allows missed deadlines and vague decisions to be papered over, according to insiders.

Managers avoid blaming colleagues for mistakes since those co-workers are also friends. Equally important is the heavy Dutch emphasis on consensus, which puts less value on individual initiative.

"What we are doing now is taking responsibility away from committees and *giving it to* people and we call that *accountability,*" he declares.

All layers of management from top to bottom will come under the knife, particularly the bloated Dutch organisation. Central corporate services are also being reviewed.

When pressed on how many managerial posts actually will disappear, though, van der Klugt again refuses to answer.

In the Netherlands Philips is also trying to link wages for highly skilled workers more closely with merit and to end the automatic pay rises that accompany many Dutch careers regardless of performance. The company often grumbles about the shortage of qualified specialists in fields such as integrated circuits, computers and information technology. The new emphasis on merit is aimed at attracting these more sophisticated workers, providing incentives for promotion and raising productivity.

Besides individual responsibility another tenet of van der Klugt's doctrine is efficient production. While factory closures are clearly necessary for lower production costs, higher technology is equally important.

Using advanced technology Philips makes 1 million light bulbs a day with one machine compared with less than 100,000 a day in Eastern European factories. Van der Klugt argues that technology has led to cheaper unit costs and more sophisticated light bulbs without shutting factories.

Where sophisticated production really is needed is in consumer electronics such as televisions, video cassette recorders and compact disc players. Plagued by overcapacity and intense price competition from the Japanese, this key division suffered operating losses of Fl 800m between 1983 and 1985 although it rebounded with operating income of Fl 720m last year.

A "centres of excellence" concept is taking shape at a few selected plants that will bring together under one roof the latest in technology, production development and manufacturing for a given product. Such plants already exist in Britain and Belgium for TV teletext and compact disc players.

In the future such a centre of excellence may be established in the US for home interactive systems, Philips' jargon for sound, video and computer equipment that is linked up for home use.

A move to the US would be in line with the company's goal of a more balanced geographical spread in activities. At the moment production is divided with about 60 per cent in Europe, 30 per cent in North and South America and 10 per cent in the Far East.

"If you want to be among the leaders you must offer the world (product) concepts which you use in the United States and Japan," van der Klugt says.

This includes global marketing and he bristles over criticism that his company is weak in marketing although quite strong in technology. "We launched the new Philips VHS (video cassette recorder) product, which is a better one than the Japanese VHS, and we regained 15 per cent of the US market within five months," he boasts. "That is what I call marketing."

He admits the company stumbled in marketing its own V2000 VCR and had to turn to the VHS format but insists that's the only marketing problem Philips has had.

Philips' global strategy with its reining in of national organisations was the major reason for bringing US operations under more direct control of Eindhoven last December. Until then most of Philips' American activities were held in the US Philips Trust, which was established in 1939 to protect corporate assets from the Nazis during the war.

The trust's assets were 58 per cent of North American Philips (public shareholders hold the rest) and all of Signetics, the microchip company.

Van der Klugt firmly denies that the trust was brought directly under the umbrella of Eindhoven because of rebellious management or hodge-podge holdings. "It's because that group (of US activities) then undertakes a world task which it can't do when it is responsible only to an American management.

"It's not enough to make money in the US, it must be spun off to give us strength elsewhere, the same as the Japanese do," says van der Klugt.

He insists that concentration on core activities will remain a cardinal rule, but declines to say whether any more of Philips' North American holdings will be sold off following last year's disposal of a furniture company.

Core activities and geographical spread dovetail in Japan, a crucial country where Philips admittedly does poorly. Van der Klugt's competitive drive flares when the subject of Japan comes up.

"In Japan we are weak because they won't let us in," he snorts. He argues vehemently that Japanese consumers want to buy imported goods, including audio and video equipment, but that the government is depriving them through artificial barriers.

Philips is using a kind of Trojan horse strategy to crack the Japanese market. It is setting up local companies or joint ventures, exploiting the local know-how and building up production. The strategy will be expensive, he admits, amounting to between $100m and $200m in the coming five years.

Other core activities also will require lots of money. Philips' telecommunications joint venture with American Telephone & Telegraph, AT&T Philips, is adapting — at great cost — the US company's public exchange switching system for worldwide sale.

Philips' joint venture with Siemens of West Germany to develop megabit chips, the most advanced chips to date, has used Fl 2.5bn in an effort to catch up with Japanese technology.

At the end of the day what van der Klugt wants is a "leaner and meaner" company. "That means we will be as ferocious as we can in terms of competition and as hard-hitting in defending our position on the world market."

Auditors/consultants

How true and fair can the view be?

Michael Skapinker on a potential conflict

A COMPANY in need of some management consultancy might these days simply ask its auditors to do the job. Many firms of accountants now offer consultancy as one of their expanding range of services. Should they be allowed to do so? Is there not a danger of conflict of interest?

A recent British survey* put the question to 50 senior company executives, 50 institutional investors and 10 management consultants. Seventy-seven per cent of the respondents agreed that conflicts of interest could arise if the same firm provides both auditing and management consultancy services.

There was some variation among the different groups surveyed. None of the management consultants interviewed was an auditor as well, so it comes as no surprise to find that 90 per cent of them agreed that conflicts of interest could arise if both types of services were offered by the same firm.

The survey was itself commissioned by a consulting group, PA Management Consultants. PA's marketing services director, John McLean Fox, said that its findings "tend to support the view that the auditing function should be separated from management consultancy interests."

The senior company executives were slightly less worried about the issue, but a clear majority, 64 per cent, agreed that conflicts of interest might arise. The institutional investors, on the other hand, *showed themselves to be* overwhelmingly concerned. Eighty-eight per cent agreed with the hypothesis.

The *survey* quoted *one* institutional investor as saying that "auditors may be inhibited in stating unpleasant or unpalatable truths if they stand to lose other large accounts for additional services." Another went so far as to say that "blackmail of auditors by a company is possible in order to secure other services available from a client. Auditors should be completely impartial, objective and at arm's length from the company. Involvement in other services could jeopardise this position."

The issue has also been raised by the Government. *In a consultative document published last year the Department of Trade and Industry said it was important that "the objectivity of the audit report should not be affected by the fact that the auditor himself or his firm has provided other services to the company concerned."*

The document said that a prohibition on auditors providing other services to the same company would be difficult to enforce. It noted too that smaller businesses often look to their accountants as their main source of financial advice. It added, however, that this did not mean that a future prohibition on accountants providing both auditing and consulting services to the same company was out of the question.

The accountants are resisting any *such prohibition*. Andrew Darnill of accountants Arthur Young concedes that there are some possible conflicts of interest which auditors need to avoid. Conflicts could arise if auditors seconded staff to clients to fill decision-making positions.

Conflicts could also occur where accountancy firms provide software products to clients, he says. There might be a reluctance on the part of the auditor to pick up a problem caused by shortcomings in that software.

Other than that, however, Darnill argues that auditing demands a continuing relationship with a client based on the accountant's reputation for integrity. Accountants are unlikely to risk that reputation for the sake of a one-off consultancy contract, he says.

The auditors argue too that their in-depth knowledge of their clients' business enables them to be more effective as consultants. This appears to be borne out by PA's survey. When asked what advantages there were to having their auditors provide other services, 70 per cent of the company executives mentioned "familiarity with and in-depth knowledge of the business."

**Regulation of Auditors Survey, available from PA Management Consultants, Bowater House East, 68 Knightsbridge, London SW1X 7LJ. Free of charge.*

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AIDS initiative brings switch in UK research policy

IT IS ironic that medical scientists should be the first to announce a directed research programme in Britain. Traditionally they have fought against regimentation.

They campaigned vigorously against the Rothschild report in 1971 which sought more correlation between Government-funded medical research and the country's most costly health problems.

Yet the long-range research programme to combat AIDS is pioneering a type of research management, which scientific advisers want to see more widely used. For the fight against AIDS the Government has found an extra £14.5m to finance the first three years of what promises to be a steadily expanding programme lasting at least a decade.

One conclusion arising from all the agonising over the national bill for science, and the poor correlation with economic objectives, is that Britain needs more directed research. This means programmes with a clear — if faraway — objective, a fund dedicated to that goal, and a will to harness the best of resources.

There is no guarantee that a directed programme will bring success. Scientific research is far too unpredictable.

What directed research can do, if well managed, is to channel resources in whichever direction is showing most promise, or wherever progress is being held up. In the case of AIDS, a worldwide problem, the programme can form part of a co-ordinated international effort.

For AIDS, those resources will range from the ideas of individual scientists such as Prof William Jarrett, a veterinary pathologist at Glasgow

OUT OF THE BACKROOM

by David Fishlock

University, whose funds for vaccine research have been coming from the US, to Wellcome Laboratories at Beckenham, Kent, one of the world's leading industrial centres of vaccine research. It is unlikely to be exclusive to the medical scientists but will involve Government-funded research councils, notably the Agriculture and Food Research Council with its strong base of veterinary science.

The AIDS research programme is the brainchild of Sir James Gowans, the eminent Oxford immunologist who runs the Medical Research Council (MRC). He has persuaded the Government to earmark extra money, rising to £7m a year by 1989, to add to the MRC's £130m research budget. It is a genuine increase in the science budget of the Department of Education and Science, specifically for AIDS research.

The programme has two clear targets: a vaccine to protect against AIDS and a drug to cure those already infected. These are difficult objectives because, as Sir James points out, scientists will be looking for new ways of attacking a virus of "unparalleled complexity." It must first be unravelled into its constituent proteins, only then can drug companies begin to design a vaccine or cure.

The best that companies can do now is to screen existing chemicals to see if they have any therapeutic effect. They have had some success. The most highly publicised discovery so far is Wellcome's azidothymidine (AZT), a 20-year-old anti-cancer drug, originally shelved because of toxicity and its high cost of production.

Last week the British Government announced a product licence for AZT — renamed zidovudine — which Wellcome supplies under the trade name Retrovir.

Far simpler viruses than the human immunodeficiency virus (HIV), with its bewildering propensity for change and for attacking different kinds of human cells, still elude medical science. There are no vaccines yet for malaria, cholera, dysentry or typhoid fever, for instance, all of which have plagued mankind for much longer than AIDS.

AIDS was first recognised as recently as 1981, although it probably first appeared in man in central Africa in the 1950s, according to Dr Robert Gallo, who assembled the first AIDS research team at the US Institutes of Health in 1981. In 1984 his team showed the cause of AIDS was HIV, a retrovirus which is programmed to seek out the T4 lymphocyte, a white blood cell that regulates the body's immune response or barrier against infection. Another such retrovirus is known to cause leukaemia.

The invading virus may lie latent in the white blood cell until activated by a secondary infection. Then, as Dr Gallo wrote in *Scientific American*: "The virus bursts into action, reproducing itself so furiously that the new virus particles, escaping from the cell, riddle the cellular membrane with holes and the lymphocyte dies."

Deprived of such cells, the victim is highly vulnerable to infections which normally he would hardly notice.

Retroviruses have the ability to cause complex forms of infective disease. HIV not only cripples the body's immune defences, it attacks the central nervous system and increases the risk from several cancers.

The World Health Organisation has called AIDS "a health disaster of pandemic proportions," and wants an international research effort. The US, which has already mounted a massive research programme, is being urged to expand it eightfold.

Mr Norman Fowler, UK Health Minister, says he learned on his recent US visit how much US scientists would appreciate participation by their British counterparts, not least for their prowess in immunology, vaccine development and molecular biology. All three can be seen as "enabling technologies" known to be crucial to the basic research that must underpin any successful AIDS research programme.

Sir James Gowans, who heads the Medical Research Council in the UK, plans a two-pronged attack on two distant targets. Each of these two initiatives will be led by its own research director, backed by a small steering committee. The directors will identify the most promising leads and will use their funds to commission specific pieces of work.

Dr Gallo says the search for a vaccine is made more difficult because HIV "comprises a great many variants that form a continuum of related strains," and some victims are harbouring several strains.

Even when proteins are identified, around or within the virus, which will immunise against all or most of the profusion of strains, Sir James says it will take at least five years to learn how to grow the virus in bulk, separate and purify its parts and conduct tests on animals. New animal models must also be found — only the chimpanzee has succumbed to HIV so far.

The quest for an anti-viral drug is expected to be similarly protracted. Anti-virals that are unquestionably less toxic than the virus they attack are scarce at present. To design such a drug requires much greater understanding of the molecular biology of HIV and the structural chemistry of its parts, than anyone has today.

Dr Hiroaki Mitsuya and Dr Samuel Broder, of the US National Cancer Institute, who pioneered the use of AZT (zidovudine) for AIDS patients, listed in Nature magazine last month eight potential research targets for drugs in combatting a retrovirus.

The MRC programme is proposing to encourage selected basic science laboratories to "reorientate their programmes to study these proteins."

There will surely be those who oppose the whole idea of directed research at as basic a level as this programme demands. They point, for example, to the failure of President Nixon's directed programme to cure cancer in the early 1970s, claiming central direction stifled initiatives, no matter how much money was spent.

But others say that the cancer programme generated much of the "enabling technology" which has already permitted rapid progress in identifying the AIDs virus.

For programme directors, the big issue may be not whether the science should be directed, but whether they can define a strategic role for British science in a huge international effort.

A Japanese lesson in how to spend and grow rich

BY CARLA RAPOPORT IN TOKYO

THE AMOUNT the Japanese spend on research and development (R&D) in consumer electronics alone is almost equal to the total sales of consumer electronics in Britain.

This is a sobering statement for British companies aiming to compete with the Japanese. It comes from an unusually revealing booklet on Japanese R&D, recently published by the British Chamber of Commerce in Japan (BCCJ).

The booklet points out that as the effects of the high yen continue to damage profitability for Japanese exporters, there is no evidence that R&D spending is being cut. "There is little doubt that Japanese companies see R&D as the best way to overcome the problems of reduced competitiveness due to the yen revolution," the BCCJ states.

In short, informative chapters, the BCCJ dissects Japan's high technology industries, from biotechnology to robots. Written by British businessmen working in Japan (including two UK researchers who work for Japanese companies), each chapter looks both at the amount the Japanese are spending on R&D in each field, the direction in which the research is moving and an assessment of the Japanese potential in each field.

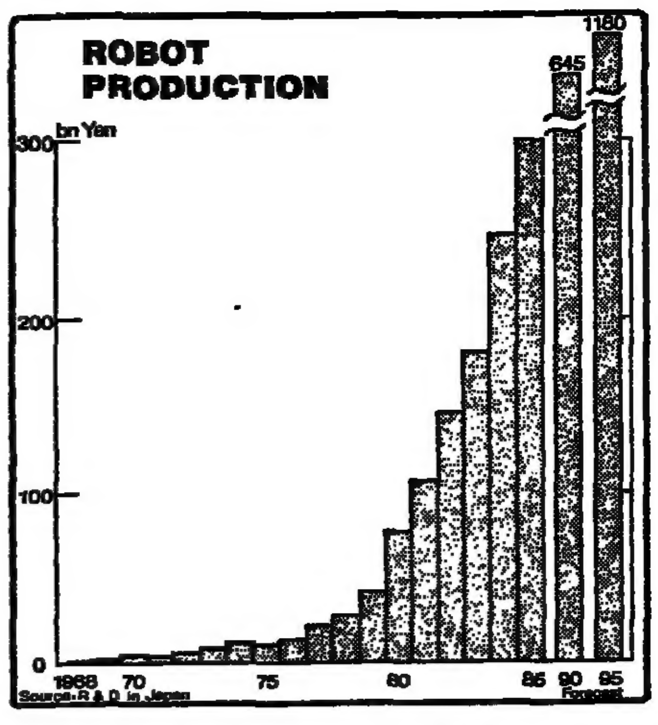
Surprisingly, the authors, do not give the Japanese high marks in every business. In computers, the BCCJ assesses the much talked-about "fifth generation" computer project, with a total budget of Y150bn (US$978m) to 1991, 40 per cent funded by the Government. "It is extremely unlikely that the fifth generation computer system will materially alter the world map of US computer dominance . . . within the decade," says the booklet.

Nonetheless, it adds: "Patience is a Japanese virtue and decade will be added to decade until their objectives are met."

Other fields, the authors warn, are already under direct threat from the Japanese. In fine ceramics, a field of particular British expertise, the BCCJ states: "British ceramics companies have every reason to be very worried about developments in Japan." The Japanese Government, it says, estimates the Japanese ceramics sector to be worth Y10,200bn ($68bn) by the end of the century, compared to an estimate of $5bn for the US industry.

The Japanese approach, it explains, is to use the new ceramics in production applications for high-volume products such as motor vehicles, where the high costs are partly absorbed. Using this technique, the ceramics makers can work to bring production costs down. As a result, ceramics / new materials will remain costly and exotic in the US and Europe, while a large number of Japanese companies will have established applications, unique experience and cost-efficient production.

Robots and factory automation are other areas of tremendous Japanese potential (see graph). Already, the Japanese are experimenting with the use of robots in hazardous construction sites such as nuclear plants and underwater locations.



But even in Japan's oldest industries, like steel, the authors are anxious to point out that R&D spending is continuing at a rapid pace. Japan's steel industry, it states, is reluctant to "roll over and play dead," despite its heavy losses and steady announcements of redundancies. It "is likely to survive as the most competent and advanced materials-processing industry in the world," the booklet predicts.

The authors repeatedly stress that almost all of Japan's research is applied, rather than basic. And in many established fields, such as consumer electronics, Japan is still buying more technology from overseas than it is selling. In 1984, for example, Japan imported 3.8 times the amount of technology it exported to West Germany and 2.9 times the amount to the US.

Also, the BCCJ explains, 47 per cent of Japanese university research is described as either applied or development research. For Britain, the figure is only 5 per cent.

"We (Britain) cannot match the Japanese effort in scale . . . but we can learn from them, particularly by concentrating on important programmes. We should consider participation where we can in Japanese projects which have important industrial consequences . . . The Japanese, through their commitment to research and development, are likely to continue the success they have enjoyed over the past 20 or 25 years," the BCCJ concludes.

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By Geoffrey Charlish

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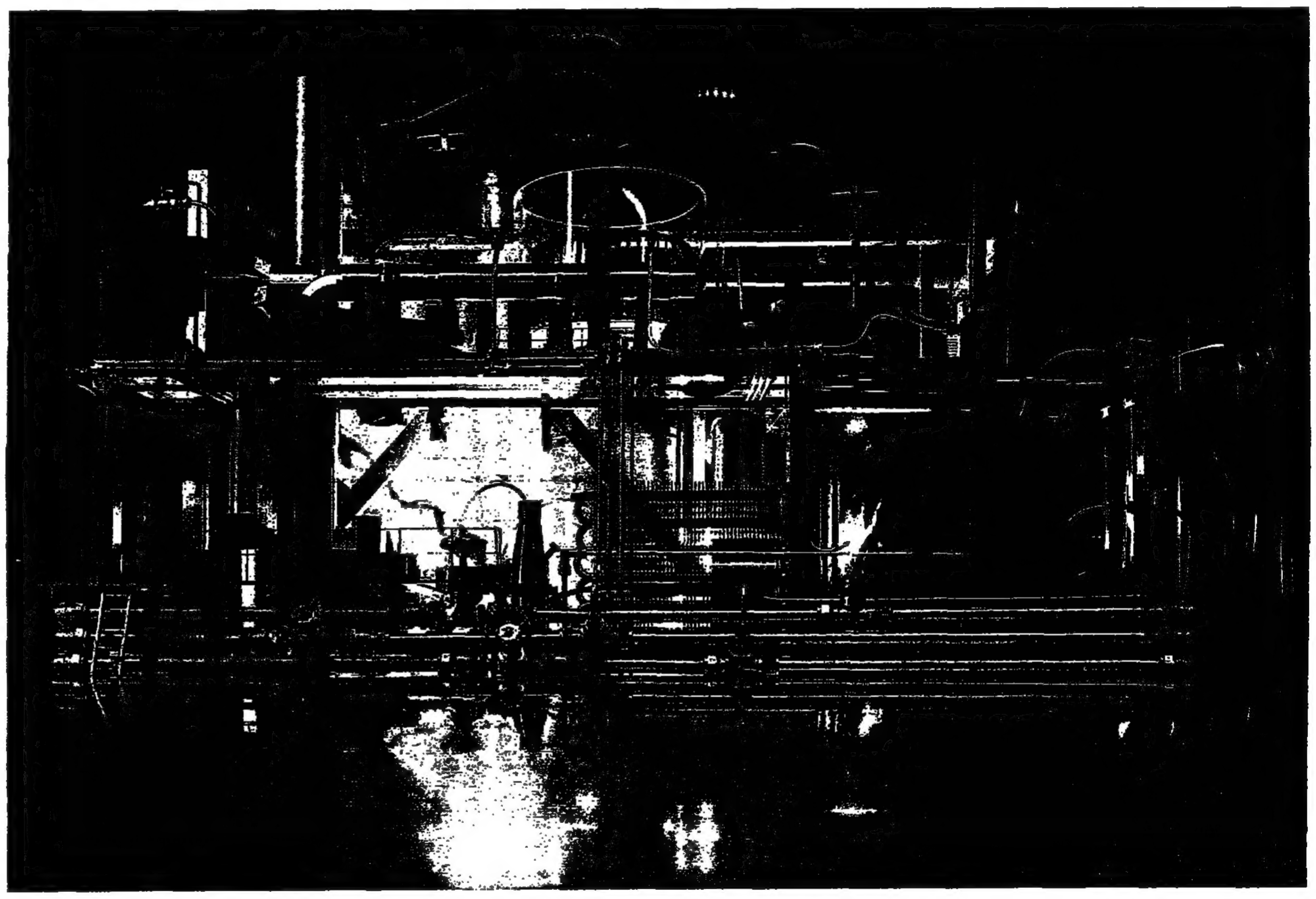
Words of command from Siemens and Philips

BY GEOFFREY CHARLISH

SIEMENS OF Germany and Philips of The Netherlands, co-operating with the Institute for Perception Research in Eindhoven, are developing a speech recognition technique that will enable a user to ask questions and give commands to computer controlled systems in offices and factories.

The recognition process uses a combination of "template matching" (in which sounds known to the system are matched with incoming speech) and language "intelligence" which allows meaning to be determined. Then, the computer can interrogate a data-base and generate a reply.

For example, in a word processor office system, a secretary might ask for "Mr Smith's letters" and then see on the screen all of his correspondence for the past month. The system has to be taught to recognise the user's voice (this takes about five minutes) and at the moment cannot carry out interactive dialogue with the user. It is currently about 90 per cent accurate.



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Touch of blue from Mr Maisonrouge

Paul Betts on the controversial new man at the top of the French industry ministry

MR JACQUES MAISONROUGE has still not found time to hang his favourite prints on the bare walls of his office in the French industry ministry. The first manager from the private sector to take over the ministry's top civil servant job, he has spent six months working on a radical reorganisation and fending off critics of his controversial appointment.

"I suppose I'm an imprudent man and that's why I accepted the job," says Mr Maisonrouge, an engineer who spent 38 years climbing the corporate ladder at IBM—he eventually became the first Frenchman on the company's board.

But he ceases to joke when he discusses the state of French industry. "In the last 20 years, I have always thought that one of the weaknesses of the French system was the lack of adequate exchanges between government, universities, civil service and the private sector. The movement has always gone in one direction, with civil servants going into the private sector but never the other way round.

"That is not the case in the US where there is a far greater interchange between academia, the civil service and private business," he says.

Although his appointment, as directeur generale de l'industrie, has been welcomed by some industrialists, it has been greeted coolly by some members of the political establishment and the press. "These criticisms reflect the fears of some politicians and the media about bringing into the industry ministry someone closely associated with American business, who risked perhaps to be too heavily influenced by his American and international background," he suggests.

"When my appointment was being debated in Parliament, some deputies shouted 'Maison Blanche'," the 62-year-old recalls with a chuckle. "They did not seem to understand that you can work for a foreign-based company and remain a patriot.

"My desire to work for France is not new. Back in 1979, when I was working for IBM, I suggested the creation of an organisation to promote French industry and technology abroad."

Strong feeling over Mr Maisonrouge's appointment has been encapsulated by one French business journalist who said: "It's a bit like Mrs Thatcher asking a Japanese car executive to take charge of the UK motor industry." Le Monde complained recently that he was little more than a liberal gimmick for the conservative government.

Mr Maisonrouge appears to have taken all this in his stride and he has avoided becoming involved in issues which threatened to fuel debate over his appointment. For example, he steered clear of comment about the recent deal between the French state Bull computer group and Honeywell. "Whatever I would have said about the deal would have immediately led to suggestions that I was only saying it because I was a former IBM man."

Instead he has concentrated on the main brief entrusted to him by the French industry minister, Mr Alain Madelin, an ardent advocate of free market policies, to reorganise the ministry into what Mr Madelin and Mr Maisonrouge call "the ministry of competitiveness."

One of the goals is to foster what Mr Maisonrouge dubs "the Grenelle Consulting Group," referring to the management consultancy vocation of his department, based in the Rue de Grenelle in the 7th arrondissement of Paris. "Our role is to try to make French industry more competitive and we want to use our resources to promote new methods of management, encourage new technology and help companies to penetrate the US and Japanese markets."

The drive towards competitiveness has brought both an increasingly international approach to industrial policy and a scrutiny of the domestic business climate: "We believe it is crucial to improve the whole of French industry, large and small, by providing a more favourable legislative and fiscal environment, rather than looking only at companies in deep trouble and helping them on a case by case basis," explains Mr Maisonrouge.

The government has already reduced corporate taxes by 5 per cent which he says is the equivalent of granting FFr 11bn (£1.1bn) a year to industry. He sees this support as more significant than if the Government had handed out the same amount to 10 companies.

But internal policy questions do not only involve corporate taxes. "One big issue in France is the succession problem of many companies. The French system of inheritance taxes often forces people to sell their companies." The Government, he says, is working on a reform of death duties, which is expected to be put before Parliament during the spring session.

Another priority is to encourage innovation and the transfer of technology—55 per cent of research and development is done in national laboratories and universities. "Our job is to make sure small and medium-sized enterprises benefit . . . One of the problems in France is that there is good invention potential, a lot of good ideas, but when it comes to transferring these to the productive sector there is a hiatus."

One of his long-time hobby-horses is management training. "Back in 1967 I was shocked by the idea, which was spreading at the time, that the problem was that Europe suffered a technological gap. The true gap was not a technological one but a management gap." Twenty years ago there were perhaps only 10-15 business schools in Europe while there were already 400 in the US. "One thing was obvious to me. Management was something that could be taught and Europeans up to then thought management had to be learned on the job."

However, he has perceived a change on that front. "France has been managed for too long by engineers," he says, "but the management gap has nonetheless been considerably reduced during the past few years. In the recent reorganisation of Rhone Poulenc, for example, there were three MBAs among the top managers."

And he is looking for a similar opening of minds on foreign trade and contact. He would like to see French industry make greater use of large international trading companies and opening up its boards to more executives from abroad. "A weakness in France is that even in big companies, with extensive foreign operations accounting for a larger part of their gross income than their domestic business, there are very few senior foreign executives."

But as well as trying to instil new, forward-looking practices, Mr Maisonrouge must also concern himself with historical difficulties—government intervention is an old problem in France." He sees it as partly the legacy of the two World Wars, which required in their wake heavy economic reconstruction in France.

That in turn led to wholesale nationalisations, which the Chirac government is starting to reverse. "You cannot ask the state to be the major shareholder and not exercise a degree of control. This constitutes one of the major penalties of nationalisation. With privatisation you change the whole picture," he says.

Despite his free market instincts, Mr Maisonrouge acknowledges that France must tread carefully in some key areas of industrial policy. During the last few months, there has been increasing activity on the takeover front. "There is clearly a limit to this," he says, quickly adding: "I wish that there were lots of French de Benedettis," referring to the Italian entrepreneur who has been particularly active on the French takeover scene.

But for Mr Maisonrouge, the fundamental challenge for France is the much broader question of "finding growth again." "Between 1981-85 we have had very, very low growth in industrial production. Last year was a bit better with a little over 2 per cent in GDP growth. Now it is sometimes dangerous to set too high an objective, but if you have no growth you have no reduction in unemployment."

Talk of how to stimulate growth brings him back to the need for competitive industry. "You can get internal growth by having products which are good enough to encourage people to buy them rather than increasing imports, so you have to make sure that your products are competitive. And I think that even at the present exchange rates we can do it."

In export markets, crucial to France's economic health, he urges companies to become more conscious of the need to market well. "You don't get contracts by making one visit and coming back home. You have to be there. . . France is not behind technologically. We are behind from a marketing point of view."

As well as having plenty of ideas, Mr Maisonrouge relishes the task of disseminating them. "My average during the last 10 years has been to give 56 speeches a year. I believe business people don't participate enough in communications and I think the duty of a chief executive or his second guy is to explain themselves."

He says he will never forget going to Armonk in 1981 to join the management committee of IBM and reviewing the activities of the communications department. It was in practice, "the non-communication department and we had to change that. You know the most common phrase was 'no comment'."


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CT BOWRING REINSURANCE LTD v BAXTER
Queen's Bench Division (Commercial Court): Mr Justice Hirst: March 19 1987

PREMIUMS PAID under a loss of hire reinsurance policy incorporating the ABS (LPO 454) wording, are returnable to the reinsured if paid in administrative error after a casualty resulting in constructive total loss.

Mr Justice Hirst so held when giving judgment for the plaintiff reinsurance brokers, CT Bowring Reinsurance Ltd, on a preliminary point in their action for return of premium against reinsurer, Mr Michael Robert Baxter, sued on his own behalf and as representative of the 1985 members of Lloyd's syndicate No 488.

HIS LORDSHIP said that the shipowners chartered the M Vatan and the M Ceyhan to the National Iranian Tanker Company for the purpose of operating a shuttle service between Kharg Island and Sirri Island in the Persian Gulf.

The vessels were struck and seriously damaged by air-fixed exocet missile attack.

Both were insured on hull war-risk policies and war risk loss of hire policies. The insurer was a Turkish company which was reinsured with Lloyd's and company underwriters in London.

The loss of hire reinsurance brokers brought the present action as agents of the shipowners, who were assignees of the insurer's right of action against the reinsurers.

Both charterparties were on the amended Shelltime 3 form and were identical. The reinsurance slip was subcribed in April 1985, and was amended on June 17 to provide that the premium should be payable monthly. The policy incorporated the ABS (American Bureau of Shipping) wording (LPO 454).

Clause 10 of the ABS wording provided: "In the event of the vessel . . . being sold or unchartered, other than by reason of total or constructive total loss . . . this insurance is automatically cancelled. In such event underwriters agree to return pro rata net monthly premium . . . In no other event shall there be any return of premium (except as provided under clause 14.3 below)."

Clause 14.1 provided: "Cover hereunder in respect of the risks of war, etc may be cancelled by either the underwriters of the assured giving seven days notice. . . ."

Clause 14.3 provided: "In the event either of cancellation by notice or automatic termination of this insurance by reason of the operation of this clause 14, pro rata net return of premium shall be payable to the assured."

The war risks hull reinsurers agreed that the vessels be settled as constructive total losses. On July 19 the brokers gave notice to the loss of hire reinsurers purporting to cancel the loss of hire reinsurance, pursuant to clause 14.1 of the ABS wording.

After the notice had taken effect a further payment of premium was made amounting to $791,820.

The brokers' case was that the payment was made as a result of administrative error. The preliminary issue was whether on the true construction of the reinsurance policy the assured was entitled to return of premium, and if so, in what amount.

Mr Mance for the brokers submitted that as a matter of construction the loss of hire insurers had an infettered right to cancel the policy by notice under clause 14.1, and that it followed they were entitled to a return of premium.

Mr Steel for the reinsurers submitted that return of premium was excluded by clauses 10 and 14 in combination. In the alternative, he contended that the casualties had frustrated the charterparties so there was no longer any continuing risk and nothing to cancel, thus rendering the notices to cancel nullities.

He relied on the general common law principle laid down in *Tyrie v Fletcher (1777) 2 Cow 666, 668* where Lord Mansfield said "if an entire risk has once commenced, there shall be no apportionment or return of premium afterwards."

Reliance on *Tyrie's case* did not carry the argument very far, since the question was whether the clauses established an exception to the common law rule and brought into play the provisions for return of premium under section 83 of the Marine Insurance Act 1906.

Section 83 provided that "Where the policy contains a stipulation for the return of the premium, or a proportionate part thereof, on the happening of a certain event, and that event happens, the premium, or . . . proportionate part thereof, is thereupon returnable to the assured."

The express exclusion of constructive total loss from clause 10 coupled with the provision that the clause should prevail notwithstanding other provisions, also carried very little weight, seeing that clause 10 equally excepted clause 14.3 from the embargo on any other events resulting in a return of premium.

So far as clause 14.1 was concerned, it seemed to give each party a completely general and unqualified right to cancel on appropriate notice. It followed that a pro-rata return of premium under clause 14.3 was due on any cancellation by notice under clause 14.1.

Mr Steel's other argument was that even if clause 10 preserved clause 14.3 in a constructive total loss situation, there was no continuing risk in the loss of hire context, and therefore nothing to cancel, the cancel, the policy being effectively at an end.

He relied particularly on *Gorsedd Steamship Co (1900) 6 Comm Cas 413* where Mr Justice Bingham said "the risk no longer exists after the ship is lost."

The argument was unconvincing. Clause 14.1 permitted either party to cancel "*cover hereunder.*" That seemed to give the owner an absolutely unfettered right to cancel the cover granted by the policy whether or not the risk still technically continued.

Quite apart from the construction point, cover was not necessarily tied to continuing risk, since an assured could and often did, take out insurance to cover a situation where there was no certainty that he would be exposed to risk.

Gorsedd was dealing with the construction of the words in the particular policy under consideration, which was an entirely different context and of no assistance in the present case.

Mr Steel submitted that if the hull policy was exhausted by reason of total loss, it must follow that there was no ongoing risk under the associated loss of hire policy. He said the shipowners must be treated as having received the full value of their ship inclusive of future earning power.

That was basically unsound, since the loss of hire policy was completely independent of the hull policy, and the fruits of any valid claim thereunder clearly belonged to the owner and not to hull underwriters.

The preliminary issue was disposed of in favour of the plaintiff brokers.

For the brokers: Johathan Mance QC and Stephen Ruttle (Ince & Co).

For the reinsurers: David Steel QC and Jonathan Gilman (Holman Fenwick & Willan.

By Rachel Davies
Barrister

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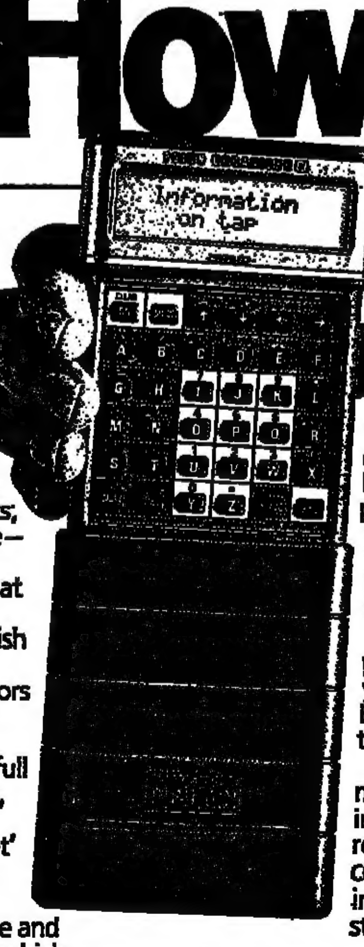

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No safe short cuts in writing applications

BY MICHAEL DIXON

READERS about to apply in writing for a job might do well to try the following exercise. It could prove useful not only to those penning a job application for the first time in years or after a solid series of rejections, but also to anyone inclined to believe the task is easy.

The exercise is to write a precise description of how a pair of scissors cuts a piece of cloth or whatever. The description must be no more than 200 words long. It must also be capable of being understood without ambiguity by a person who, as well as never having used a pair of scissors, does not know the distinction between words such as "chop" and "shear," and is too busy to go and consult a dictionary.

There is no need to go on trying until you have satisfied those conditions perfectly. All you have to do is to attempt and fail the exercise often enough to convince yourself that, when your only tools of communication are dry words on paper, it takes a lot of brain-cudgelling work to produce a brief and clear account of even a simple operation.

As a result, if I'm to believe the comments of many people who work in recruitment, you should have learned a lesson which remains unknown to the great majority of applicants. It is that still greater thought and effort are required to convey an understanding of your suitability for a job into the mind of a complete stranger.

Regardless of what the candidate does, of course, no application can be guaranteed to win an interview. Since there is no such thing as one-way communication, the most thoughtfully written letter is apt to fall foul of prejudices projected on to it by the reader—and the prejudices of recruiters are almost infinitely many and varied.

Even so, job-seekers can only gain by doing everything that can be done on their side to make the communication effective. For by taking pains to show that their particular attributes fit the particular job on offer, they at least ensure themselves of the best chance of winning an interview.

Unless candidates' approaches are specifically tailored in that way, the process of applying is inevitably very much a lottery. It is true that more standardised types of application can be made to look highly attractive, especially if they have been prepared and produced professionally by a careers-counselling consultancy or the like. But they still have little more than a 50/50 chance of surviving a cursory first reading, according to a recent survey by headhunter John Courtis of employers' opinions of job applications which can be identified as the work of someone other than the individual supposedly sending them.

It turned out that although such applications were positively favoured by 8 per cent of the employers and a further 45 per cent had no objection to them, they were actively disliked by the other 47. Moreover the opposing faction emphasised their hostility with comments like: "they give the impression of weakness in the candidate" and "presentation is too stereotyped, fails to reflect the individual's own style and may show a lack of initiative."

In the circumstances, Mr Courtis says, there is little point in arguing whether the hostile group's attitudes are right or wrong. What matters is that those attitudes exist, and as long as they do so applications of that kind have a high risk of going straight into the waste bin.

IT consultancy

NOW to a job in France which is being offered by recruiter Tim Entwisle of the Tanstead Associates consultancy on behalf of a company he may not name. Accordingly—like the other headhunters to be mentioned later—he promises to abide by any applicant's request not to be identified to the employer at this stage of the proceedings.

What Mr Entwisle can say is that his client is a US-based management consultancy with expanding interests in advising organisations, particularly the big international sort, on business applications of information-handling technology. The company first began operating in Europe some 13 years ago and has offices in London in addition to Paris where it is now seeking a second in command to the branch's chief executive.

Whoever gets the job will of course have to be up-to-date with the technicalities of information processing. But the prime requirement is the ability to understand and be understood by the business chiefs of organisations as well as to work closely with their senior IT specialists.

So there is an indispensable need for highly developed all-round skills of verbal and written communication, in French and English as a minimum and preferably in German too. There is also a preference for holders of a recognised formal qualification in one if not more of computing, finance, marketing and business administration.

Provided candidates have first-hand knowledge of the changing wants of big organisations, they could come from a variety of backgrounds. They might currently work for a large company as general managers, strategic planners or developers of information-handling systems. They might equally be senior consultants with leading specialist software or hardware businesses.

Tim Entwisle says the salary will be the equivalent of about £50,000, with other benefits negotiable.

Inquiries to him at West End House, 11 Hills Place, London W1R 2AS; telephone 01-439 1881.

Insurance

NEXT TO a clutch of London-based insurance aces being sought by headhunter Christopher Dickman for the Lloyd's broker subsidiary of a medium-sized UK-owned group.

The company is apparently at present undergoing a thorough shake-up with a view to large-scale expansion. So it is perhaps not altogether surprising that the top job on offer is for nothing less than a chief executive. If candidates have not already achieved recognised success at the same level, they should at least be demonstrably proficient as a second-in-command. Salary indicator £80,000-plus with perks including bonus and car.

A further opening is for a claims director at a salary of around £30,000. A third, which carries a salary of £5,000 or so less, is for someone to direct the subsidiary's business in all-risks insurance for contracting companies. In each case applicants should have a successful record in similar work at a comparable level. And in both of these jobs, too, the fringe benefits include a bonus and a car.

Inquiries to Insurance Career Consultants at 6 Lloyd's Avenue, London EC3N 3ES; tel 01-481 3336. Mr Dickman will be on holiday until Monday, but since Jobs column readers are inclined to be impatient in such matters, his colleague Tony Ovens has agreed to stand in for him meanwhile.

Scotland

THE LAST post today, which is being offered by recruiter Graham Walker of the Anthony Nevile International consultancy, is for a finance director based in the west of Scotland. The employer is a company with wide ranging activities in precision engineering which belongs to a £2bn-turnover British group.

Candidates should be qualified accountants with line management experience in a comparable business and knowledge of export development. Salary about £30,000 with car among perks.

Inquiries to 69 Midton Road, Ayr, Scotland KA7 2TW: tel 0292 287969, telex 858902 Baron G.

Evaluate Analyse Select

Modern portfolio theories are gaining credibility amongst an increasing number of investing institutions. Passive management of some funds is an idea that actuaries are recommending and trustees beginning to accept.

To support the managers of funds with an indexed content my client, a British house with European backing, is interested in talking to investment analysts with at least 2 years' experience of the UK market or its sectors. The product base also includes actively managed funds and they require at least two analysts to complement their team.

Respondents, preferably with an economics or related degree, must be prepared to become involved with some marketing and liaison tasks in addition to normal secondary – and a little fundamental – research. An ability to speak French will be an added advantage.

For more information on these appointments, please contact Charles Ritchie or Timothy R. Wilkes at Michael Page City, 39-41 Parker Street, London WC2B 5LH, or telephone 01-404 5751.

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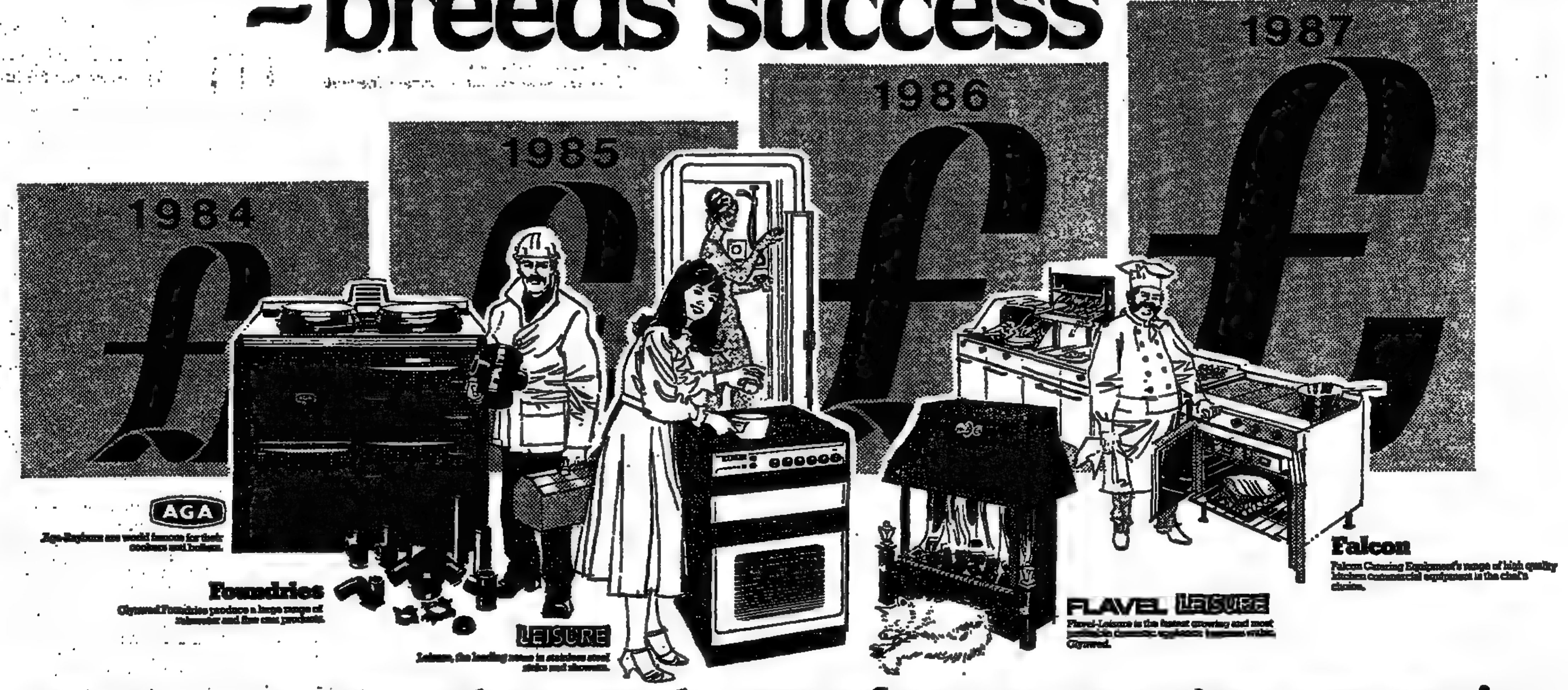

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Even fewer British engineering and manufacturing businesses can match Glynwed's consistent ability to produce consumer products that continue to dominate their markets at the same time as maintaining realistic profit margins.

A successful Division within Glynwed is Consumer and Building Products, whose own high performance mirrors that of the Group. The Division is now poised to expand its business activities which includes famous household names such as – Flavel, Leisure, Aga, Rayburn, Glynwed Foundries and Falcon Catering Equipment.

As part of our expansion programme we are now seeking to add successful business managers to our established senior management team. Senior Managers who can immediately contribute to our forward thinking policies and business targets as well as play an important role in the future direction and production of the next chapter of our success story.

Our Kitchen/Consumer orientated businesses are located in various areas of the UK so that those appointed could operate from a choice of locations in the Midlands.

MANAGING DIRECTOR
Consumer Products

This is a Divisional board appointment with responsibility for the Chairmanship of the management boards of Flavel-Leisure, Aga-Rayburn & Leisure, which collectively have a turnover in excess of £60m p.a., and 1,500 employees at three locations.

The setting and achievement of an agreed business plan for each of the businesses is a key element of the job as is the increased penetration of established and new markets by organic growth and/or acquisition. Also the development of new products and the introduction of improved manufacturing technology.

Candidates must have successful general management experience of a £30m + operation, extensive experience in the finished goods sector and a good product, process and market development record. Ref. 1

DEVELOPMENT DIRECTOR
Consumer Products

To be responsible for our major RD centre in Solihull, West Midlands and, in conjunction with the Managing Directors and Senior Management of the operating businesses, all on-site product and process development facilities.

The overriding priorities are ensuring a constant flow of new products of the highest design standard to meet the demands of the consumer market. Also that the most cost effective and efficient production processes are employed and maintained in all areas of manufacture.

The successful candidate will be supported by an experienced team of CAD/CAM, computer, quality and development managers, a staff of 80 and control a budget in excess of £2 m p.a.

Applicants, ideally in the 40+ age range must have been responsible for an RD budget exceeding £1m p.a., a proven record in product and process development and relevant experience in the domestic appliance industry. Ref. 2

MARKETING DIRECTOR
Consumer Products

This is a new key post carrying responsibility for developing and implementing a comprehensive marketing strategy for the three consumer durable orientated businesses within the Division. Flavel-Leisure, Aga-Rayburn and Leisure.

Operating in conjunction with the Consumer Products Development Department and the individual businesses' sales, marketing and manufacturing functions, the person appointed will be expected to make a significant impact on, and contribution to, overall growth and profitability.

Candidates should have extensive product development experience gained in the consumer durables market and have made a substantial personal contribution at strategic level. Ref. 3

There are also opportunities in two of our other businesses.

MANAGING DIRECTOR
Glynwed Foundries

To lead a multi-site operation based at Ketley, Shropshire producing cast iron drainage materials and municipal castings. Prime duties will involve increasing market share, enhancing product image and completing important investment programmes. Applicants should have general management experience gained within a £20m+ business in or related to the cast iron foundry sector plus substantial product, process and marketing knowledge. Ref. 4

MANAGING DIRECTOR
Falcon Catering Equipment – Scotland

To expand the business, based near Falkirk, by organic growth/acquisition etc., whilst maintaining current profitability. Also to ensure product design/development meets market demands. Applicants with general management experience gained in a £5m+ company must possess extensive knowledge of finished engineered/metal goods and a relevant record in business development. Ref. 5

Remuneration and benefits package is designed to attract, motivate and retain those with ability and commitment. Those joining us in senior positions will find that their rewards, which can be substantial, are geared to performance and will increase considerably as the business they manage continues to grow successfully.

To apply – We appreciate that as a busy manager your time is limited, we have therefore, prepared this "quick response facility".

We also realise that to consider a move at this important stage of your career you would require by return; comprehensive details about the Company, the products and our management team.

Apply in the strictest confidence to Hugh McCredie on 021-742 2366, or complete the 'quick response facility' and send to Glynwed Group Services Ltd., Headland House, New Coventry Road, Birmingham B26 3AZ. Posts open to men or women.

QUICK RESPONSE FACILITY FT 2

Please send me comprehensive appointment details and application pack.

Ref. 1 ☐ Ref. 2 ☐ Ref. 3 ☐ Ref. 4 ☐ Ref. 5 ☐
Please tick appropriate box(es)

Name ______________________

Address ______________________

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Glynwed Consumer & Building Products Ltd

Big Bang?

Has your firm given up the race?

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London EC4M 8BD

Assistant Fund Manager

Gilts and US Dollar Fixed Interest

Wellington Underwriting Agencies Limited is a leading Lloyd's Managing Agency with over £300m under management principally in the UK and US fixed interest markets.

The Company is seeking an Assistant Fund Manager who will work closely with the Group Treasurer in the formulation and implementation of the investment policy. The position offers an exciting challenge to applicants with experience in fixed interest markets.

An attractive salary and benefit package will be offered reflecting the achievements of the individual and the responsibility of the position.

Please send full career details, in confidence, to:
Miss K. R. Smith, Wellington Underwriting Agencies Ltd.,
120 Fenchurch Street, London EC3M 5BA

.Wellington.
UNDERWRITING AGENCIES LIMITED

MARKETING £27k + CAR

Expanding credit/marketing area require an account officer to market UK and international corporates. Previous proven ability within this area is essential.

ECP SALES c£22K +

Two major international banks require additions to their ECP Sales area. Previous sales experience in US Dollar and Sterling paper essential.

Telephone 01-638 5286

JOSLIN ROWE
11 Blomfield Street
London EC2M 7AY

Corporate Marketing

Shipping Finance

One of the major US banks is currently expanding its specialist shipping group. This has created an opportunity for an experienced corporate banker who will be responsible for developing new business and maintaining existing accounts in a number of European centres. Working within a small but successful team, the role includes full responsibility for assessing, pricing and structuring proposals.

With a minimum of two years' marketing experience you will have strong credit/analytical skills and a thorough knowledge of the shipping industry, with the ability to apply investment banking techniques in such areas as asset origination/sale and advisory work. Fluency in French and or Greek would be a major advantage.

Interested applicants should contact Christopher Smith on 01-404 5751 or write to him at Michael Page City 39-41 Parker Street, London WC2 5LH quoting reference 3737.

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A member of Addison Consultancy Group PLC

CITIBANK

Newly formed Treasury Unit ...
an unusual opportunity for a

SENIOR TRADER/ FINANCIAL ENGINEER

Kensington **£25-35,000 + car**

Our client is Citibank — one of the world's largest banks, with a dominant presence in all major markets.

Within the Consumer Services Group, EMEA Division, a new Treasury unit is now being established and a Senior Trader is required. Reporting to the Chief Trader, the person appointed will have responsibility for mobilisation and redistribution of multi billion dollar funds across a wide range of currencies and instruments.

As a candidate for this rôle, you should have several years' practical experience in Foreign Exchange/Money Market dealing, familiarity with securities and off-balance sheet products, and the desire to direct these skills towards financial engineering and effective fund management. If you would prefer to develop your career within a prime institution, yet outside the pressurised, target-driven environment of the typical large dealing room, you will find this an unusual and highly attractive opportunity.

The division's regional office is based in Kensington. Whilst this working environment presents a refreshing contrast to the City, the remuneration offered (including basic salary, bonus, and comprehensive benefits) will be in line with best City practice.

In the first instance, please contact Joanna Davies in confidence. Telephone 01-606 1706, or write to her at Executive Division, Anderson, Squires Ltd, 127 Cheapside, London EC2V 6BU.

Financial Recruitment Specialists Anderson, Squires

SALES/MARKETING MANAGER

c 15K + Car & Expenses

Large established Midlands Jewellery Manufacturer, wishes to expand still further and requires a person with detailed knowledge and experience of the jewellery trade with particular attention to mail order connections. Expansion is the key note whilst maintaining existing clientele.

Commission structure to be agreed.

Please send full details to:
Arnold Conroy
Conroy, Tobin
7 Staple Inn, Holborn Bars
London WC1V 7QN
Quoting reference AC/03101/Staff.

PHILLIPS & DREW FUND MANAGEMENT LIMITED

Administration Assistant

PHILLIPS & DREW

Phillips & Drew Fund Management, one of the largest fund management organisations in the UK, is seeking an experienced person to assist the Administration Manager.

You will have a good knowledge of the securities industry and have experience in Investment Administration, preferably with pension funds. Some knowledge of pension fund tax would be useful. You should be able to communicate with clients and management at all levels and should have experience of delegating work to junior staff.

Your duties will include establishing and maintaining systems, monitoring of opening and closing of client accounts and providing cover and support for the Administration Manager who deals with all aspects of office management.

You will be rewarded with an excellent compensation package which includes a company profit-sharing bonus, mortgage subsidy, pension scheme, free life assurance and free BUPA.

Please write, enclosing full curriculum vitae to:

Sally Walkley,
Recruitment Officer,
Phillips & Drew,
120 Moorgate, London EC2M 6XP

GRADUATED IN THE LAST 2 YEARS?

LOOKING FOR A FAST TRACK CAREER IN THE INTERNATIONAL CAPITAL MARKETS?

Sumitomo Finance International, the fast-growing international capital markets arm of The Sumitomo Bank Limited of Japan has a limited number of openings for very high calibre graduates who would like to develop their career in one of the following areas:—

(i) **Eurobond Sales** —(total fluency in one or more European languages required)

(ii) **Swap Dealing** —(a highly numerate degree discipline such as maths or stats required)

(iii) **Eurobond Dealing** —(economics, business finance or numerate degree background required)

(iv) **New Issue Marketing/ Syndication** —(M.B.A. or equivalent)

You must hold at least a II(ii) honours degree and have a lively, outgoing personality. Successful applicants can expect early responsibility, excellent on-the-job training and rapid career development combined with a fully competitive salary and benefits package. Interested applicants should write in the first instance enclosing detailed CV explaining why they might be suited to a career in the eurobond market to:—

Mrs Fiona Williams
Personnel Officer
SUMITOMO FINANCE INTERNATIONAL
107 Cheapside, London EC2V 6DT

PORTMAN

BANKING CAREERS

FINANCIAL FUTURES DEALER **£30,000**

The expanding dealing room of this leading international bank seek an experienced dealer with knowledge of FX/Money Market activities and some Futures trading. In addition you will be required to analyse the feasibility of trading new instruments. Previous training or trading experience in Chicago would be an advantage.

BOND INVESTMENT OFFICER **£20,000**

This senior position presents an interesting opening for a graduate banker with a thorough knowledge of bond investments. Experience of either Fixed Rate or FRNs is required. Candidates should possess good analytical and communication skills in order to take responsibility for monthly analysis of the market and make recommendations accordingly.

ASSET SWAPS **£ neg**

A challenging opportunity has arisen within this major international bank for a graduate banker with experience of SWAPS and associated markets. Based within a small team, your main responsibilities will be the development of new SWAP products as well as monitoring and increasing existing business. This demanding position offers excellent career prospects to candidates who are self starters with good inter-personnel skills.

For further details please contact:
Gaynor Harris or Alison Brown on 01-236 1113
or write to:
13/14 Great St Thomas Apostle, London EC4V 2BB

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Investment Management

City **up to £25,000**

A large Christian organisation wishes to fill the post of Assistant Investment Manager to manage unit funds; fixed interest and equities. Total funds under management are in excess of £200M. The operation is strongly performance-orientated and is directed by young vigorous management. Candidates, probably aged 28-35, should have worked in fund management and be practising Christians of any denomination.

Please apply to Sir Timothy Hoare, Career Plan Ltd, Chichester House, Chichester Rents, Chancery Lane, London, WC2A 1EG. Tel: 01-242 5775.

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10 Finsbury Square, LONDON EC2A 1AD.

Phillips

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As one of the world's largest and most successful fine art auctioneers, Phillips, with a turnover of £62 million per annum, will conduct over 1300 auctions in 1987.

Prior to the retirement of our present Administrative Director, we wish to appoint a person suitable to head our administrative functions.

He/she should ideally be a Chartered Accountant or Chartered Secretary aged 28-40 with detailed computer knowledge and live within easy reach of New Bond Street. Fine leadership qualities are essential as is a willingness to work long hours from time to time.

Please write, in complete confidence, with full CV and details of salary required to Christopher J. Weston, Chairman and Chief Executive, indicating how you feel you can fulfil this important role.

7 Blenheim St, New Bond St, London W1Y 0AS. Tel: 01-629 6602

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هكذا من الأصل

HEAD OF INFORMATION SERVICES

We are one of the largest firms of City solicitors, with 71 partners and a staff of over 750. Our central information services have the essential task of collecting and disseminating, for the benefit of our own lawyers and our clients, the legal and other material which is vital to our function.

These services are already well established but the continuing expansion of the firm, the rapid development of the law and the speed of change in information technology require us to re-assess our approach and develop new systems for the future.

We are now making a new appointment to take charge of all these services. The job requires a qualified lawyer with practical experience, especially in the commercial field and very probably in a large law firm.

The work *will* involve a keen awareness of the needs of our lawyers and therefore extensive liaison with them, as well as with the rest of our technical support team.

This new position is senior and important; its scope depends considerably on the energy and initiative of the person appointed.

The salary and benefits will be attractive, and full administrative and secretarial support will be given.

If you are interested in this appointment, please send a full curriculum vitae quoting Ref: PMJ3 to:

Peter Morley-Jacob
Slaughter and May, 35 Basinghall Street, London EC2V 5DB

SLAUGHTER AND MAY

EQUITY MARKET MAKERS

SALES and TRADING

ARE SHRINKING COMMISSIONS
REDUCING YOUR CUT ?

We represent a Highly Prestigious and Successful International Investment Bank who, due to expansion of their Equity Sales and Trading activities, are in the market for Research Sales and Trading Executives.

Our clients consider that the existing commission system is all but dead and that the best way for them and their Executives to make real money in today's market is via a Performance Related, Partnership Style, participation in Capital Progress.

They seek to harness the energy and commitment that is required to make money out of cut commissions and place it in an environment that will yield for both parties. This is an exciting real money alternative to the out of date method that executives in the market are asked to operate with, especially as there is no own capital input involved.

Our clients are sure that out there, there are men and women frustrated by the way in which they are being rewarded, looking *to see a good return on their efforts, who are making the best* of the old system but certain that commissions is not the way to go forward.

If this concept appeals, then we would like to meet you for a confidential interview.

To be of interest to our client you need to satisfy the following criteria:

A solid sales or trading background, at least two years, with Equity Products and their derivatives, good account relationships and a continental viewpoint.

Remuneration. Much has been made of money in this advertisement —Base salary will be very competitive. Over that, you will earn in direct proportion to your success in the job.

CONTACT ROBERT MILNE
ON 01-631 5045
CRANFORD BANKING RECRUITMENT

OUTSTANDING OPPORTUNITIES IN...

FUND MANAGEMENT

- *EXCEPTIONAL CAREER DEVELOPMENT*
- *HIGH LEVEL RESPONSIBILITY*
- *£ EXCELLENT + BONUS*

Due to the rapid growth of funds under management this major International Banking and Financial Services Group now seeks two additional Assistant Fund Managers.

The first position involves research, analysis and portfolio management of international equities - particularly concentrating on the US and the Far East. The second post requires experience of the International fixed interest markets.

In both cases, the successful candidate will be aged mid 20's, a graduate and have a minimum of one year's experience in an investment environment. Numeracy, enthusiasm and high levels of motivation are essential qualities. This could be an ideal first move for an ambitious analyst or a junior fund manager whose career is not progressing fast enough. Prospects for the future are assured for the right candidate and salary levels are not an inhibiting factor.

Interested candidates should contact Sarah Beaumont on (01) 629 8070 or send a detailed curriculum vitae to her (quoting Ref. L216) at Slade Consulting Group (UK) Ltd., Metro House, 58 St James's Street, London SW1A 1LD. All applications will be treated in strictest confidence.

London · Melbourne · Sydney · Brisbane · Adelaide · Perth · Auckland · Christchurch

SLADE CONSULTING GROUP (UK)

Hoggett Bowers plc

Executive Search and Selection Consultants

CITY DIVISION

Marketing Officer — ***c £25,000***

A Marketing Officer to specialise in large project finance is sought by our client which is an International Bank with an excellent name in the City. In addition to the development of business in the UK, you will be responsible for the supervision of loans officers and a team of credit analysts. Aged up to 35, the ideal candidate should have at least five years of relevant experience.

Manager, Investment Administration — ***c £20,000***

This is a challenging role within a top UK Merchant Bank which requires good management skills and a working knowledge of UK and overseas equities and fixed interest securities settlements. Ideally aged late twenties to mid thirties, you will be responsible for ten staff dealing with administration and settlement of client funds, as well as being personally involved with client meetings and liaison with fund managers.

Institutional Sales — ***£ Neg***

An experienced institutional salesperson who specialises in European stocks is sought by this top Merchant Banking organisation. This is an opportunity to join a highly respected team. Knowledge of a second European language would be a distinct advantage.

Private Clients Executives — ***c £20,000***

Due to rapid increase in business, our client, a top UK City institution, is seeking experienced private clients advisers with a recognised Stock Exchange qualification to supplement its expanding department. Prospects for career progression are excellent for successful applicants.

ACA — Newly Qualified — ***To £20k***

Newly qualified ACA's are required by this prestigious UK Merchant Bank to join its financial control function. This is an ideal first step into the City and applicants should be top flight graduates who have qualified successfully within a leading firm of accountants.

Senior Credit Analyst — ***To £18,000***

The Corporate finance department of this leading European bank is seeking to recruit an additional credit analyst to work at a senior level. The successful candidate must have gained substantial credit experience over at least three years within a banking institution and will be involved in all stages of deals including submission of proposals to credit committee. Long term prospects exist to move into a marketing officer capacity.

Audit Officer — ***c £17,000***

A top ten US bank with an excellent reputation for its auditing function is looking to recruit an additional auditor. Based in the UK, the position involves monitoring and providing technical expertise to the bank's overseas audit teams as well as developing and evaluating audit functions relating to new areas of business. An ideal role for candidates with previous auditing experience gained in a banking environment to move into a consultancy type role.

Eurobond Settlements — ***£15,000+***

On behalf of our client, a leading US name, we are interested in meeting experienced Eurobond settlements clerks who are seeking a new challenge. Candidates should have at least 2 years experience of Euroclear and/or Cedel and must thrive in a hectic working environment.

01-588 4305/6 *Moorgate Hall, 153/157 Moorgate,* LONDON *EC2M 6XB.*

Gresham Trust p.l.c.

Development Capital Executives

Gresham Trust p.l.c., one of the leading City institutions providing long-term capital for medium-sized private companies, require Senior and Junior Executives for key appointments in their expanding management team.

The role of a Senior Executive, who ideally will be aged 30, will involve appraising investment opportunities, negotiating appropriate terms and conditions and the monitoring of performance, as a non-executive director, of companies within the Group's investment portfolio.

A Junior Executive, aged around 25, will be expected to assist in the appraisal of unquoted companies seeking permanent capital.

The successful candidates will have had several years' experience in a similar institution or possibly with appropriate training in a firm of accountants or solicitors.

Please write in complete confidence with full career details to:

**Norman Baldock,
Managing Director,
Gresham Trust p.l.c.,
Barrington House,
Gresham Street,
London EC2V 7HE.**

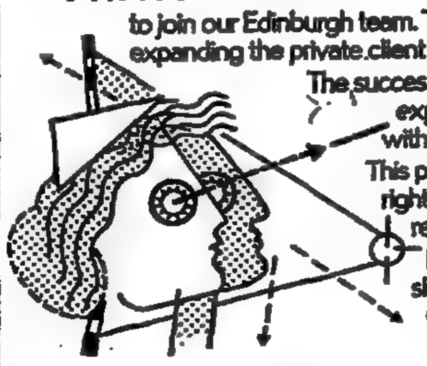
CHARTERHOUSE TILNEY

We are a member of The Stock Exchange and a leading regional stockbroker with Institutional and Private Client Investment business. We have offices in Liverpool, London, Altrincham and Shrewsbury and have recently established an office in Edinburgh.

We are seeking to recruit a...

PRIVATE CLIENT PORTFOLIO MANAGER

to join our Edinburgh team. The person appointed will have responsibility for expanding the private client business in Scotland.



The successful applicant should have at least three years' experience as a Private Client Portfolio executive with a sound educational background.

This position offers a challenging opportunity for the right person which will be matched by an excellent remuneration package.

Replies in writing enclosing a full curriculum vitae should be addressed to: J H J McQueen, Charterhouse Tilney, 26 St Andrew Square, Edinburgh EH2 1AF

CHARTERHOUSE

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PROPERTY LOANS DEPUTY MANAGER — **c.£25,000**

An established British bank with a highly respected and profitable property lending department have an opening for a Deputy Head. A background of loans administration and managerial skills gained from within the property lending area of an international bank is a pre-requisite for this position. Duties will involve all admin/control of loans, supervising a staff of 7/9 with further duties ranging from marketing to attending signings etc.

Please contact Paul Trumble.

TRAINEE BOND SALES

If you have a 1st class honours degree in mathematics or a similarly numerate discipline and are aged 21/25 you could move into the dynamic world of Bond Sales. You will also require a well-rounded personality and the ability to cope with the ups and downs of a sales environment. This is an outstanding opportunity with a highly professional trading room of an overseas bank.

Please contact Brenda Shepherd.

BOND TRADERS Hong Kong & Tokyo

Our client, a well respected American investment bank wishes to recruit as part of their continuing expansion programme, an experienced Bond Trader for the Tokyo office and a *Bond Trader/Sales Person for Hong Kong. All-rounders with good FRN and fixed interest* experience, wishing to further develop a career, either by way of contract or permanently in the Far East, are invited to apply.

Please contact Brenda Shepherd.

SENIOR CREDIT ANALYST — **to £20,000**

A demanding role for a risk analysis expert, join an expanding international bank in a senior credit administration post. Main responsibilities will involve bringing your highly developed *credit skills to a central role, reporting on varied and complex business.* Our client would ideally be interested in candidates with either some formal credit training or the ability to demonstrate a successful track record in credit analysis with a recognised bank.

Please contact David Little.

Ridgway House 41/42 King William Street London EC4R 9EN.
Telephone 01-626 1161

Export and Project Finance

Manager, Eastern Europe

Lloyds Export & Project Finance Ltd is a market leader in financing projects and export contracts. A division of Lloyds Merchant Bank, it now wishes to recruit a Manager to join the business development team which focuses on Eastern European markets.

Candidates will have a broad background in merchant or international banking with recent experience of marketing and negotiating export finance products. Familiarity with commercial contract and loan agreement negotiations and the services of ECGD and other export credit agencies is essential.

Aged around 30, the ideal candidate will have an intimate knowledge of one or more of the active Eastern European markets and have fluency in German or Russian.

The job will attract an ambitious, self motivated individual with an innovative approach to the arrangement of financial packages. A competitive remuneration package, which includes a full range of banking benefits, is on offer.

Lloyds Merchant Bank

Send your CV to:

Geoff Morgan
The Personnel Director
Lloyds Merchant Bank
40-66 Queen Victoria Street
London EC4P 4EL

A LEADING FIRM OF STOCKBROKERS requires PROCEDURES ANALYSTS

Office Systems and Procedures c£17,000 – £20,000pa

Our Compliance department is looking to recruit several procedures analysts to document and develop our business systems and procedures.

The initial task will be to document all existing procedures within major divisions. You would then be expected to propose and implement improvements to existing procedures and to develop systems to cope with new business ventures. This requires strong analytical, organisational, written and verbal communication skills.

The ideal candidates will have experience in the securities industry either in a settlement or accountancy position and will be happy working in a highly pressurised, constantly changing environment.

Salary will be negotiable depending on experience and will be accompanied by an excellent benefits package. Please write with a full CV to Ruth Colley, Personnel Manager, Hoare Govett Limited, No 4 Broadgate, London EC2M 7LE.

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Your Next Move Could Have Some Interesting Developments

If you are looking to advance your career, perhaps you should be looking at a Company which is developing faster than most.

For the second time in four years, we have been voted 'Top Unit Trust Management Group' by a leading financial publication.

Our Pension funds are also high performers. They have consistently been in the top quartile of all UK funds for the past few years.

It is this continuing superior investment performance which will establish us as one of the key players in the financial services industry of the 1990's.

Associate Director – Investment Administration

Excellent Salary Plus Car, Bonus & Benefits

To ensure that we achieve our goal, we now require an Associate Director to head up our Investment Administration Division at our Tonbridge Headquarters.

This newly created position represents an exceptional opportunity for a highly motivated person who has the determination necessary to develop this role and create real prospects for long-term self-advancement.

You should be aged between 30 and 45, and will probably be working at senior managerial level within the financial sector. Your background must include at least five years experience in the securities industry with an investment, unit trust or banking group. You should also have a proven track record in management, together with knowledge of computer systems and investment portfolio administration and accounting. The relevant accountancy qualifications would be an advantage but are not essential.

Your responsibilities will include all aspects of unitised and institutional portfolio administration. Liaising with Investment and Pension Fund Managers, Trustees and Fidelity Offices in the UK and overseas, you will be expected to have considerable involvement in our international fund accounting project and the organisational structure of the department.

We are offering an excellent negotiable salary which will reflect the importance of this position, together with a car and attractive benefits, including a substantial performance related bonus.

If you are a senior executive looking for the responsibility and challenge of joining a dynamic organisation offering international involvement, please telephone Gerry Baxter direct on 0732-373380 in the strictest confidence, or write to him at Fidelity International Management (Holdings) Limited, River Walk, Tonbridge, Kent, TN9 1DY.

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Fidelity INTERNATIONAL

QUANTITATIVE INVESTMENT SERVICES GROUP

County Investment Management is seeking to recruit a young man or woman in their mid 20's to join a rapidly expanding group which specialises in the application of modern investment theories and techniques to fund management. The group plays a leading role in developing strategies for the global fixed income and equity markets, and already has over £1bn (currency equivalent) under management in a range of passive and quasi passive strategies.

Applicants are likely to be highly numerate with a degree in Economics, Maths or Statistics, together with 1-2 years' analysis, fund management or dealing experience in overseas markets, preferably Europe or the Far East. The work will initially consist of assistance in the design and implementation of passive equity portfolios whose objective is to match the return on stock market indices in various overseas markets. In addition there will be opportunities to participate in the development of innovative trading strategies, and other research and development activities of the group.

If you possess an innovative and pragmatic approach to problem solving and like to work in a lively, professional environment send a detailed c.v. to:

Ian Carlton, Personnel Manager, NatWest Investment Bank, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES.

The NatWest Investment Bank Group

Sure Touch in High Risk?

Promote Your Future in Project Finance

To £30k + Benefits

With a successful track-record going back a quarter of a century in London, my client is the U.K. branch of a major foreign bank renowned on its domestic territory for its enterprise and innovation, and operating in no fewer than 21 countries overseas. The parent's growth in assets over recent years has been authoritatively described as "dazzling", and with its commitment to steady expansion and development via a comprehensive, up-to-the-minute portfolio of products and services, the Bank's reputation at home is now rivalled by its ever-increasing prestige abroad.

The continuing diversification of the London branch's business has recently led to the establishment of a further section, Project Finance, within the Finance Department, in recognition of the growth in high-risk, non-recourse lending sectors such as aircraft, property, leveraged leasing and similar transactions. The Bank therefore now proposes to appoint an ASSISTANT MANAGER, PROJECT FINANCE, to initiate and implement the new section's programme.

Probably a finance or economics graduate in your late 20's with a minimum of two years' relevant experience, either generally in high-risk lending or with specific exposure in one field, such as aircraft financing, you will already be well introduced, highly familiar with the market, and will display a marked capability for evaluating both the intrinsic merit of individual projects and the entrepreneurial calibre of those involved in them. Co-operative ventures with other major banks or specialised financial institutions will frequently be required, and you will possess a "nose" for new project activity, as well as developed organisational ability and a sense of initiative. Desirable personal talents will include discerning powers of judgement, a capacity for absorbing and interpreting detail, and articulate report-drafting skills, and you will be commercially-aware, decisive, and able to contribute from the outset.

The Bank is noted for its policy of providing early responsibility and rewarding talent and commitment, and prospects for career progression are excellent.

Interested? Then please ring or preferably write (in total confidence) to me Trevor G. Boon, Sowerby's (Selection) Ltd., Personnel Consultants, 500 Chesham House, 150 Regent Street, London, W1R 5FA. Tel: 01-439 6288.

Sowerby's Selection

Direct Marketing Manager

London — **to £30,000 + Banking Benefits**

Our client, a member of one of the UK's largest banking institutions and a leading name in the Financial Services Sector is developing its direct marketing activities and consequently seeks to recruit an ambitious and enthusiastic Marketing Manager to spearhead this operation.

This position will require an energetic and innovative individual capable of increasing the sales of the company's consumer credit products via effective direct methods.

The successful candidate, ideally aged 25–35, and probably a graduate, will have a proven track record in the use of sophisticated direct marketing techniques in a fast paced, blue chip organisation.

Financial services experience, while preferred, is not mandatory. However, communication skills and the ability to lead and supervise a young motivated team are essential personal qualities.

This challenging and demanding role offers a competitive remuneration package and an excellent opportunity to be at the fore of a major marketing impetus.

Interested applicants should contact Catherine Fitzsimons on 01-404 5751 or write to her, enclosing a comprehensive curriculum vitae, at the Insurance Division, 39–41 Parker Street, London, WC2B 5LH. Strict confidentiality is assured.

Michael Page City

International Recruitment Consultants – London Brussels New York Paris Sydney

A member of Addison Consultancy Group PLC

PORTON INTERNATIONAL

Biotechnology is the last great industrial revolution of this century. Through provision of quality fermentation equipment the industry's potential will come to fruition more quickly. LH Fermentation, a member of the Porton International Group of Biotechnology companies, is a world leader in fermentation bioprocess plant and control instrumentation.

We are implementing an aggressive business strategy leading to substantial growth. We are looking for additional key staff to ensure the success of our exciting business plans.

General Manager
Salary up to £40,000

You will be responsible to the board of Porton International for the overall development and profit growth of LH Fermentation.

Ideally, you will be a product-oriented engineer with a background of achievement in a manufacturing industry. Management experience and a tough and challenging personality will be essential, and a relevant business qualification would be an advantage.

Technical Manager
Age 28–40 – Salary up to £30,000

Reporting to the General Manager, you will form part of a highly successful team of committed and enthusiastic young managers. You will be responsible for the management of new product designs from concept to launch. Degree level education in either mechanical or chemical engineering, backed by an understanding of biological processes and experience in project management are essential. You will also need to demonstrate a proven track record in cost effective design management. Knowledge of electronic control systems is desirable.

Operations Manager
Age 28–40 – Salary up to £30,000

Reporting to the General Manager, you will be responsible for organisation and leadership of the assembly operation.

This position carries responsibility for production control, material purchasing, supervision of the shop floor and quality control. The ideal candidate will have all-round production experience in an efficient manufacturing environment and must be capable of demonstrating significant achievement in at least two of the above areas. You should also understand the principles of lead-time reduction and production control disciplines.

In addition to the excellent remuneration the benefits package for each position includes a company car.

Apply in writing to Mr. Peter Wilson,
LH Fermentation Ltd. Bells Hill, Stoke Poges, Slough, United Kingdom, SL2 4EG. Telephone: 02814 5100.
Telex: 848296 LH FERM G.

SCIENCE IN BUSINESS

LH FERMENTATION

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"Ramsbury," Woodmansterne Lane, Banstead, Surrey SM7 3HE
(SEARCH AND SELECTION CONSULTANTS)

Jonathan Wren

UNIT TRUSTS

In order to maintain their leading edge a global unit trust company, whose reputation has been built on consistent and successful investment, is seeking highly motivated professionals with proven track records for the following positions:

UNIT TRUST ADMINISTRATION MANAGER

to £25,000 plus substantial performance related bonus, benefits and car

Two administration managers are sought with the ability to control all aspects of the day-to-day operation of unit trusts, especially share exchanges, dealing, registration and unit trust portfolios for discretionary clients. The successful candidates will be in their late 20's to early 40's, with a relevant financial services background and a proven track record in management, possibly within the unit trust environment.

ASSISTANT MANAGER

to £20,000 plus bonus and benefits

Two assistant managers are required to be responsible for all aspects of the administration and accounting of unit trust portfolios. This will include the preparation of trust accounts, valuations, distributions and pricing. Applicants should have the necessary leadership skills to take charge of a small team and a minimum of 2 years experience of investment accounting and administration procedures.

Contact Keiren Harris.

LONDON BRUSSELS HONG KONG SYDNEY

Jonathan Wren

Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Assistant Operations Manager

Major Investment Institution

West End

c£18,000, Bonus, Exceptional Benefits

This investment management unit is part of a well known and respected international investment bank. The facility is growing very rapidly and further development of operations to maintain and extend service quality and control is vital.

The position has a varied brief, including the management of current processing, researching, recommending and implementing services, systems and software improvements. Additionally there is administrative responsibility for compliance with internal and external procedures and market regulations.

The existing team is young and the position will suit graduates in their mid to late twenties. Experience should include e.d.p. systems operating in the finance industry, preferably in the City. Administrative and interpersonal skills are vital for the work environment where hard work and success are the norm. The potential for the right person is enormous in career and remuneration.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to I.L. Duff, Hoggett Bowers plc, *1/2 Hanover Street*, LONDON, *W1R 9WB*, 01-734 6852, quoting *Ref: H14002/FT.*

CORPORATE FINANCE

Package to £40,000

We are currently recruiting on behalf of a number of Merchant and Investment banks in the City who are looking to develop and expand their Corporate Finance teams.

They provide the whole range of financial services for the most prestigious names in British industry and commerce, including money raising, re-financing, mergers, acquisitions and disposals.

The ideal candidate will be a high calibre graduate aged 25-28 with ACA or legal qualifications gained within a City firm or be a banker with some relevant M & A or new issues experience.

Promotion will be rapid and salary highly competitive for the individual who can demonstrate excellent communication and innovative financial skills.

Please ring or send c.v. to:–
Sara Bonsey or Maria Frangoulis.

Capital Futures is an independent recruitment consultancy committed to the provision of professional and impartial advice to client and candidate alike.

All applications are treated in strict confidence.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

CAPITAL FUTURES RECRUITMENT CONSULTANTS

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هكذا من الأصل

Bond Sales Management

Our client is a major International Merchant Banking Group, and a leader in Fixed Interest Markets. They have developed sophisticated methods of analysing Bonds and other Capital Markets instruments worldwide. A marketing team has now been created which will sell the resulting investment strategies to clients in the UK.

A leader is needed for this team who can bring to it a combination of mathematical skills and sales ability and who can turn the ideas into order flow.

This is an attractive opportunity for an ambitious person to take the first step into sales management. Alternatively, experience in fund management would be an appropriate background. Candidates must be graduates in a numerate discipline and aged between 25 and 30.

An excellent remuneration package is available which will include a profit sharing element. Please write with full career details. These will be forwarded direct to our client. List separately organisations to which they should not be sent. B.G. Woodrow, ref. BGW/B/3.

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An Established Name With A New Spirit

Mervyn Hughes, an established name in the field of executive selection, has recently been acquired by Business Development Consultants, one of the City's fastest growing and profitable search practices which enjoys the backing of a major plc. Substantial investment into the company's relaunch, ensures that there has never been a more exciting time to join Mervyn Hughes — a great name with a totally new approach and outlook, fully dedicated to becoming a leader in Financial Management selection.

We seek highly-motivated commercial individuals to form a nucleus of professionals and to be accountable for the development of their own business areas. Aged between 26-32, you must possess excellent communication skills and the drive to succeed. Your work experience to date may have been gained in finance or a relevant consultancy area and will have equipped you to assume a high profile role leading to an early management opportunity.

Packages for these crucial opportunities are negotiable according to age and experience. First year earnings should be in the region of £20-25,000 and comprise a high basic salary, profit share scheme, company car as appropriate and other benefits.

mh

For a confidential discussion, please contact Ian Hetherington, Mervyn Hughes International Limited, 63 Mansell Street, London E1 8AN. Telephone: 01-488 0155.

MERVYN HUGHES

European General Manager

SALARY—CIRCA US$60,000 **PLUS INCENTIVES**

American Manufacturer requires an
EXPERIENCED GENERAL MANAGER
for its European Subsidiary which assembles and distributes
mechanical products throughout Europe,
the Middle East and Africa

Sales are currently running at US$3m and the successful candidate will have the necessary qualification and initiative to develop future growth through distributors. He/she will also be adept in controlling international currency transactions.

A working knowledge of European languages is essential together with an understanding of the American Standards of Management upon which his/her performance and compensation will be judged.

If you wish to be considered please send your resume in strictest confidence to:
Box A0457, Financial Times, 10 Cannon Street, London EC4P 4BY

Financial Engineer

Project Finance

Our client is one of the world's leading international banks with a major presence in London.

As part of the continued growth of the Bank's highly successful Financial Engineering Team in its Corporate Finance Department, there is a requirement for an experienced banker to structure and arrange finance in support of exporters' bids on large capital projects. The position also covers the structuring of financial engineering proposals involving the use of treasury products to provide alternative and more efficient approaches to borrowing and asset management.

Candidates should ideally have experience of project finance in addition to a knowledge of liability, foreign exchange and capital markets products. Some knowledge of export credit agency programmes would be an advantage. A highly innovative approach to problem solving is essential.

A competitive salary and benefits package will include substantial bonus opportunities for successful performance.

Please write with a full c.v. indicating present salary level to: Confidential Reply Service, Ref: 9608, Austin Knight Advertising, 17 St. Helen's Place, London EC3A 6AS.

Applications will be forwarded to our client direct, therefore companies in which you are not interested should be listed in a covering letter to The Confidential Reply Supervisor.

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Management Auditor
Key role in major charity
£20,699-£22,414

Barnardo's is a Charity providing services to young people and families with special needs and to do this we raise funds from the public and government sources and maintain a range of support services including financial accounting, property management and publicity. We are committed to achieving effectiveness and value for money in all these operations.

There are two main aspects to this appointment. One is to assist Directors in the constant appraisal of the use of all resources to ensure maximum benefits including the use of management services techniques. The other is to monitor internal audit control systems to ensure that assets are adequately protected, income properly accounted for, and that payments are properly authorised.

The vacancy arises from the death of the previous occupant, who had held the post since its inception in 1974. The role is therefore well established. However, there will, no doubt, be benefits to be gained from the fresh and different approach of the new leader, who will also be able to contribute to our forthcoming review of our computer systems. This could lead to us setting up our own data processing facility.

The post reports to the Senior Director and is based at our headquarters. It calls for a candidate of degree level or equivalent, with training and/or qualifications in either computer studies, management or business studies, accountancy or administration with wide ranging experience in accounting audit, computing and management services.

Barnardo's is a Christian Child Care organisation and offers a comprehensive package of conditions of service including relocation expenses and transferable pension. Applications for posts are welcomed from persons irrespective of disability, marital status, sex or race.

Further details and application form are available from Mr V H Givan, Personnel Manager, Dr Barnardo's, Tanners Lane, Barkingside, Ilford, Essex Tel: 01-550-8822.

Closing date 10th April 1987

Barnardo's

INVESTMENT MANAGEMENT /FUND ANALYSIS

Financial Sector Human Resources

Our client, a respected U.K. Investment Institution, is seeking two highly motivated individuals to fill key positions in the Investment Department.

Fund Management Far East Markets To £35,000

A Far East equity specialist with a proven track record is sought. He/she will be expected to make an important contribution to investment strategy decisions.

Some years experience will have been gained, preferably in one or more Pacific Basin markets. Candidates, educated to degree level, will have excellent communication skills, a strong personality and an enthusiastic attitude to fulfil this demanding role. Ref: 3/607.

Funds Performance Analyst c£18,000

They are also seeking a highly numerate graduate in Mathematics/Economics/MBA who will have responsibility for the analysis of fund performance, production of related reports and the development of computerised analytical techniques.

They will be looking for an individual who pays great attention to detail and strives for continuous improvement and accuracy in their work. Previous analytical experience within an investment environment will be advantageous, but not essential. Ref: 3/617.

To apply for either of these positions, please send your C.V. together with details of your current remuneration to Robert Winter at MCP Consultants or telephone 01 405 9000/1 to discuss further details in strictest confidence.

MCP MANAGEMENT CONSULTANTS

Lawrence House 51 Gray's Inn Road London WC1X 8PP

FORWARDS TRADER
LONDON

Our client is a well established international bank with an excellent reputation. To complement the existing, active dealing team they require an experienced and highly capable forwards trader.

The appointee will be encouraged to expand the existing forwards book and experience in a major currency or Scandi is required.

Applicants should have at least three years forwards trading experience with a medium to large bank and should possess a broadbased and in depth knowledge of that market.

Salary to £35,000 plus benefits.

Roger Parker Organisation

Bunge House, St Mary Axe,
London EC3A 8AT
01-929 1212

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Ord Minnett's London office requires a further experienced executive to work on all facets of equity raisings, acquisitions, corporate advice and valuations.

We are seeking somone who is at least 26 years old with a minimum of two years' such experience within a merchant or investment bank. He/She will work closely within a team framework and backed by senior executives from our head office in Sydney. This is a senior appointment which should also lead to an outstanding career opportunity.

Salary package will be commensurate with experience.

Please send your c.v. with full particulars to:

Miss T. Cuttell
Ord Minnett Limited
1 College Hill, London EC4R 2RA
or telephone 01-248 1606

All enquiries will be treated in the strictest confidence

elf

Use your broad business skills to help develop our long term corporate strategy

Economist

Up to £20,000 package **Cheshire**

Continuous development within a competitive market paves the way for this new role with Elf Oil GB, the British Marketing Division of the multi-national French energy group.

Based at our Altrincham Head Office, you'll join a team reporting to the Manager for Organisation and Planning, and will make a major contribution in developing medium and long-term corporate strategies. Specific projects will include: studies of the economic environment within the UK oil industry; investigations into areas of diversification for ELF together with appraisals of existing product groups and asset base; development of the methodology to be used in these analyses; the preparation of our Long Term Plan. Other ad hoc projects will also fall within your sphere of operations.

The role demands some formal business qualification—perhaps an Economics Degree, or Business Studies qualification with an Economics bias. Age is less critical than your ability to adopt a comprehensive view of our business problems in general and an appreciation of the UK oil/petroleum markets in particular. You may well have gained your initial experience within this market and be looking for a career move. However, experience within the Oil Industry, although highly desirable, is not a requirement. A working knowledge of the French language would be useful.

The attractive negotiable package will include car, and benefits include medical cover and generous lunch allowance. Relocation expenses are available, if applicable.

For further information, male or female candidates call Bill Cogle on 061-834 4191 (office) or 0484 641529 (7pm—9pm any evening); or write to him quoting reference number P285 at Austin Knight Selection, 35 Peter Street, Manchester M2 5GD.

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(ITC)

ISLAMIC TAKAFOL COMPANY S.A.

ITC, based in Luxembourg, provides Islamically accepted Life Insurance for Muslims in Europe. For our expanding U.K. market we are seeking:

(1) AREA SALES MANAGERS (Resident)
—for areas in U.K. with high sales potential
—experience and Islamic background is required

(2) FULL TIME SALES FORCE
—for all areas in U.K.
—Islamic background required

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—for all areas in U.K.
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Remuneration would be commensurate with experience and productivity. Please send curriculum vitate to our Head Office address as below:

ISLAMIC TAKAFOL COMPANY S.A.
209 ROUTE d'ARLON
1150-LUXEMBOURG

MARKETING DIRECTOR — LONDON SW3

Our clients are a newly formed British Company, based in London SW3, engaged in the marketing of futures funds worldwide. The Company wishes to appoint a Marketing Director who will operate from UK headquarters and be responsible for the promotion and marketing of futures funds in Israel and Southern Africa, and who will have responsibility for controlling the development and maintenance of client and agent connections in these countries.

Detailed knowledge of Israeli futures funds and marketing thereof required. Fluent Hebrew essential. Knowledge of Southern African financial markets also useful. Willingness to travel and spend substantial periods of time abroad essential. Salary to £20,000 plus benefits.

Please apply in the first instance to Gross & Co., 84 Guildhall Street, Bury St. Edmunds IP33 1PR (reference GDK) enclosing full C.V.

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We are now seeking to recruit suitable candidates to manage these offices. A good knowledge of Stock Exchange investment is required, but previous stockbroking experience is not essential. The post would be suitable for a Senior Trust Officer with a Trustee Bank, a solicitor or a member of The Stock Exchange.

The Branches will be primarily concerned with dealing with Private Clients, so an ability to communicate effectively is essential. Suitable candidates must be ambitious and prepared to work hard to develop a profitable branch.

An attractive renumeration package will include direct rewards linked to the success of the branch as well as the growth of the Group.

Write with full C.V. to:- D.S. Ridout Esq., Chief Executive, Spencer Thornton & Co., Spenthorn House, 22 Cousin Lane, London EC4R 3TE.

International Banking

CORPORATE FINANCE ASSISTANT

A European Bank's U.K. operation, active in a wide range of services to public and private sector entities, require an appropriately qualified person, aged around 30, with relevant Corporate Finance experience gained from a banking background in the City. SALARY: to £20,000.

SPOT DEALERS

The London branch of a highly regarded European Bank seek experienced Spot Traders with appropriate ,motivation and the ability for generating a substantial contribution to profitability. An excellent remuneration and benefits package will reflect the relevance of these positions. SALARY: £25,-£40,000.

ASST. MANAGER — INVESTMENT BANKING

The Operations Department of a major European Bank have a specialist unit supporting the dealing room investment activities and as a result of increased business require an additional person to supervise and control transaction processing and operational support generally. Relevant experience of eurobond back-up is essential and knowledge of foreign equity settlements would be useful. SALARY: c£20,000.

EQUITY ANALYST

The successful London operation of a first class European Bank wish to strengthen their Investment Team with an additional person offering experience of market equity investment research particularly relating to Nordic companies. A Scandinavian language capability would be especially advantageous. SALARY: c£30,000.

JUNIOR FUND MANAGER

The U.K. Subsidiary of a world ranking U.S. Bank with a high profile in management of investment portfolios require an additional person with a background of portfolio analysis, research and private client business. Initial duties will be essentially administrative leading to significant fund management and marketing responsibilities. SALARY: to £20,000.

CREDIT ANALYSTS

As part of planned further development of the U.K. market a prime U.S. Securities House require well qualified analysts with a minimum two years practical credit experience. The business will particularly relate to corporate finance proposals including bond/equity products. SALARY: £20,000 plus bonus.

BANK RECRUITMENT CONSULTANTS.

Gordon Brown

57/59 LONDON WALL, LONDON EC2M 5TP TEL: 01 628 7601

Leicester Polytechnic

Deputy and Assistant Directors

Kenneth Barker, the new Director with effect from 1st September 1987, is seeking well qualified and experienced applicants to join his Management team. No particular academic, industrial or professional background is preferred, selection being guided by the need to draw upon a breadth and balance of interest and capability. Those appointed may justify professorial status. Portfolios of responsibility will be discussed at interview.

Leicester is a leading Polytechnic with a record of distinguished achievement. Its future holds excitement and challenge for those with ability and commitment.

Salary: Group 12 institution £27,486/£28,479 p.a. (under review):

Application forms and further particulars from: The Personnel Officer, Leicester Polytechnic, PO Box 143, Leicester LE1 9BH. Tel: Leicester (0533) 551551 ext. 2303. Closing date: Wednesday 15th April 1987.

EQUAL OPPORTUNITIES POLICY: Applications are welcome from people regardless of their race, ethnic origin, religion, sex, marital status or disability: disabled applicants will be guaranteed an interview if suitably qualified and or experienced, and supported by a recognised agency e.g. a D.R.O.

CAL FUTURES LIMITED

Experienced Dealers Wanted

CAL Futures Limited has expanded substantially in the last year. Money under management has increased from $15m in early 1986 to over $50m today. General trading business has increased in parallel and, as a result, in December 1986, CAL moved to new and substantially larger offices in Victoria.

To further improve its service to clients, CAL is now looking for three Dealers. Suitable applicants will have at least two years' trading experience and a sound knowledge of the U.S. futures markets. Successful candidates will be offered generous salaries, profit sharing and other benefits.

Write with full details to:

Simon Ball, Esq, CAL Futures Limited
Windsor House, 50 Victoria Street, London SW1H 0NW
(Tel: 01-799 2233)

Director, Strategic Market Development — Europe

To plan and implement significant business expansion

Two factors differentiate National Advanced Systems as a worldwide supplier of industry standard mainframe computer systems; the development of strategic partnerships and our dedication to providing exceptional care to our customers. The appointment that we now wish to make demands an unusual combination of attributes and experience for a *high achiever* who will be based at at our West London HQ.

Specific responsibility is for the creation of business opportunities through partnerships, joint ventures and acquisitions, working closely with existing and potential customers, software and service organisations and added value remarketeers. The process will start with the preparation of short and medium term strategic plans, but we are not looking for a traditional corporate planner. Rather, we see you pursuing a very active role including negotiation at the highest level with the most successful and well-known business institutions in Europe.

To qualify for this rewarding and visible role we expect you to be aged between 35 and 45, university educated, fluent in English and with strong evidence of achievement within a multi-national capital equipment company. Exceptional marketing and financial skills must be backed by management experience, to equip you for a broader international role or a general mangement position within the foreseeable future.

It is unlikely that salary will be a barrier for the executive we seek, and a full benefits package is offered, *including executive car. Please respond by calling the Company's Consultant on 04862 70021 for a confidential discussion*, or by sending your curriculum vitae to John Curran, Vice President and Director, European Sales, National Advanced Systems, John Busch House, 277 London Road, Isleworth TW7 5AX.

National Advanced Systems

CORPORATE BUSINESS MANAGER

An experienced credit marketing banker is being sought by an expanding City branch of an international commercial bank to fill a key position with direct reporting to the Chief Executive. The encumbent will be responsible for marketing U.K. corporates to develop direct lending and trade finance facilities.

Salary: £35,000
plus benefits which include a company car

SENIOR CREDIT ANALYST

An excellent opportunity in a position created to assist 2 Marketing Managers in an expanding international bank.

Salary c£16,000
plus benefits

OLD BROAD STREET BUREAU LIMITED

ASSISTANT INVESTMENT MANAGER

SOUTH EAST ASIA

A major international investment organisation based in the City urgently requires an Assistant Investment Manager.

The position will involve identifying and analysing companies in Hong Kong, Malaysia and Singapore to work under the direction of the Investment Manager. An element of travel is involved.

The successful applicant will be in his/her mid 20s with a minimum of one year's experience in South East Asian markets.

Excellent salary and benefits.

Candidates should apply with Curriculum Vitae to:

Box A0456 Financial Times
10 Cannon Street, London EC4P 4BY

International Appointments

CJA RECRUITMENT CONSULTANTS GROUP
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

CJRA JAPAN

EURO BOND DEALER — TOKYO

FULLY COMPETITIVE REMUNERATION PACKAGE

LEADING EUROPEAN BANK

Our client has just obtained a licence for its securities branch office in Tokyo and would like to employ an experienced Eurobond dealer. The selected candidate who will have overall responsibility for the bond trading activities of the securities branch office, will work closely with the bank's European headquarters and its London based investment bank and will be supported by an experienced Japanese sales-team. The successful applicant will have at least three years' experience gained with a major player in the Eurobond market. Knowledge of the DM and FL bond markets is a plus as is working experience in Tokyo. Age around 30-35. The bank offers a fully competitive remuneration package including a full range of generous fringe benefits. **For this assignment we are particularly keen to hear from candidates in strict confidence by telephone on 01-628 0969** or alternatively written *applications quoting reference EBDT18895/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager:*

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LTD., 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ

GROUP COMPANY SECRETARY

BRUSSELS

We are an international and diversified Company with offices in five countries and with a Corporate Group Headquarters in Brussels.

We now require a qualified Company Secretary aged 35-42 with corporate experience to be based in Brussels to co-ordinate the regulatory and statutory matters relating to the Companies within the Group. Versatility is an essential attribute. An excellent package will be tailored to the right individual.

Reply in complete confidence to

Box A0469, Financial Times
10 Cannon Street, London EC4P 4BY

PARIS STOCK MARKET

As part of the opening of the Traded Options Market in June, a major French broker is seeking to employ a

MARKET MAKER

Two to three years' experience plus working knowledge of French are required.
Competitive salary and bonus will be negotiated.
Candidates are invited to submit CV details including remuneration proposals.
Confidentiality guaranteed.

Financial Times, 10 Cannon Street, London EC4 4BY P.O. Box No.0000

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EUROPEAN MOTOR INDUSTRY

Haig Simonian on the German motor group's big currency scandal

Red faces all round at Volkswagen

"WE HAD got over the Herstatt crisis, now we are back again. Every foreign exchange dealer is a crook again in the public's eye, and every treasury man a criminal."

Harsh words from a senior treasury executive at one of West Germany's leading banks. But they sum up the way many bankers in Frankfurt are feeling about the alleged DM 480m ($265.8m) foreign exchange fraud at Volkswagen.

Dropped on an unexpecting world two weeks ago, the VW affair is still short on hard facts. Pushing aside the dozens of theories, the following sequence of events has become clear.

VW became aware that all was not well with its foreign exchange business as early as last November after tips in a Frankfurt financial newsletter. The company conducted an internal investigation, which appears to have revealed nothing. However, VW's suspicions were confirmed on February 18 this year at the latest, when the Hungarian National Bank in Frankfurt denied all knowledge of a foreign exchange transaction conducted through a small Frankfurt broking firm, which VW believed had become due. It is alleged that other falsified transactions were due to follow.

Further inquiries led the company to lay charges of suspicion of fraud, breach of trust and falsification of documents with the state prosecutor's office in Braunschweig, the judicial centre in north Germany nearest VW's Wolfsburg corporate headquarters. Since then, the pace has hotted up, although most of the events remain circumstantial. VW has fired or suspended several foreign exchange and treasury staff, notably Mr Burkhard "Bobby" Junger, the previous head of its foreign exchange department, who says he is taking the company to court for wrongful dismissal.

Mr Rolf Selowsky, VW's finance director, was a later casualty. He resigned last week after sharp criticism of VW's board from Mr Gerhard Stoltenberg, the West German finance minister.

Mr Stoltenberg is believed to have been enraged by the affair both on moral grounds and because of the embarrassment it has caused for the Government's privatisation programme. The minister has acknowledged that selling the state's remaining 18 per cent stake in VW may no longer be possible this year.

Meanwhile, the Braunschweig legal authorities have widened their net by bringing in colleagues from Frankfurt, the Federal Criminal Office, and a foreign exchange expert from the Bundesbank.

They would all like to speak to Mr Joachim Schmidt, the high-living head of a small Frankfurt foreign exchange broking firm, who is believed to be abroad for an indeterminate period. It has been widely alleged that Mr Schmidt played a central role in the affair.

The investigation is likely to grind on for months rather than weeks. But the repercussions of what is probably the biggest currency fraud in corporate history, are already being strongly felt in Frankfurt.

For a start, foreign exchange business is down, notably on the hedging side. Companies are playing it safe; some are said to have considerably toughened up their foreign exchange trading procedures, requiring, for example, more stringent authorisation for forex deals rather than normal telexed confirmation.

How different West German corporations cover themselves in the forex markets is already one of the main talking points. Few West German corporations are immune from currency fluctuations either on the input side, or, to a lesser extent, on their exports. Invoicing in D-Marks is one answer, but that may just throw the burden of foreign exchange risk on overseas subsidiaries.

VW is pinpointed by bankers in West Germany and abroad as operating one of the most active and aggressive corporate treasury departments. Mr Junger himself has confirmed that VW did business with as many as 70 international financial institutions, turning over some DM 80bn a year. Indeed, one reason for his decision to quit VW—he was fired after he had already resigned—was differences over how treasury operations should be run.

But by all accounts, VW was an exception to the otherwise rather conservative German corporate attitude towards foreign exchange trading for a company's own account.

Other West German groups, such as Siemens, Ford, and some of the oil companies, have gained good reputations for treasury, according to senior bankers. But, unlike VW, all tend to trade defensively, using the markets to hedge their foreign exchange exposures rather than treating treasury as an independent profit centre. Though commonplace at large corporations abroad—likewise VW—the approach is still alien here and widely seen as speculative.

Supervision is the second talking point. West German companies, unlike the banks, face no regulatory obstacles on their foreign exchange dealings. By contrast, since the Herstatt crisis thirteen years ago, banks cannot trade in "risk-related foreign exchange" beyond 30 per cent of their capital.

Some banks are rumoured to have used VW as a way of getting round that rule by parking excess positions with the company's treasury department overnight. No one has commented on the allegations so far, but there is already plenty of talk in Frankfurt about the need for "re-regulation" in some markets. If the rumours are true, they bode ill for some banks' standing here.

On the company side, it seems likely that those groups operating bank-like treasury departments may face stricter bank-like supervision once the dust has settled.

What awaits the banks themselves very much depends on the results of the investigation. Some banks are already trying to distance themselves from the affair. Speaking in Bonn last week, Mr Hans Christian Schroeder-Hohenwarth, the outgoing president of the West German bankers association, took pains to point out that no member bank was involved in the affair as far as the association knew. On Friday, Mr Piet-Jochen Etzel, a board member of Dresdner Bank, one of VW's "house" banks, said his bank was not involved.

Might the alleged fraud at least help to bring a little more transparency to the West German corporate accounts? The docility of VW shareholders so far suggests not. Perhaps they are still stunned by the affair, but questioning on VW's accounting policies has been muted.

Indeed, remarkably few shareholders have quizzed the group on the key question of precisely when it knew of its foreign exchange problems, and whether it reacted sufficiently quickly. Character conflicts exist in many companies, but it is already clear that relations on VW's board of directors and on its supervisory board could have been better. The squabbling may have damaged the company's effectiveness.

Nor have they inquired how so much money may have been lost in a so-called "hedging" affair, when the company has regularly stated that it always dealt in the spot markets. Some bankers find it extremely hard to believe that a group of VW's size and sophistication should have pursued an anti-hedging approach, taking the rough with the smooth in the spot markets instead. But Mr Junger himself has recently confirmed that policy.

VW's 30 millionth car rolling off the assembly line this week

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On day three of a series, **Simon Holberton** discovers some foreign views of the Thatcher revolution and **Guy de Jonquieres** discusses 'the most far-reaching shift in the philosophy of state ownership since the 1940s.'

A vision clear, but limited

THE RESIDENT foreigner sees Britain as a country reborn.

The power of the unions has been curbed to the point that managers can now manage. And British business has become more attuned to the international marketplace than ever before; far from shrinking from the challenge, it is embracing it.

But the leaner and fitter Britain has not been achieved without cost. Foreigners who have made the UK their home find it a less caring place.

For some, a traditional respect for debate and discussion has been debased: to question Mrs Thatcher's view of the world is equated with disloyalty.

Few abroad, especially those in workaholic Asia, value the attributes of Britain in its modern incarnation. Many Asians see Britain as a country which has exchanged its world power for the debilitating ideology of the welfare state.

When talking to foreigners about their experiences in Britain, the discussion invariably turns towards Mrs Thatcher. It is her "clear and limited vision" (as an American banker described it) of a tougher, more resilient and efficient Britain which most find responsible for the new character of the nation.

"I think she is probably the most popular leader since Baldwin," says Mr Leo Scherman, 58, a resident self-employed Frenchman.

"She has a direct contact with the man in the street. She is perceived as one of them. She comes from the same background and speaks the same language: thrift, hard work, as little state intervention as possible, everyone for himself, the end of the welfare state, the end of the spongers and scroungers."

Others simply feel that Mrs Thatcher has moved with the times. Mr Kent Price, 43, an American chief executive of a British industrial company, says: "Much of what this Government has done would have been implemented by a moderate Labour government," because Britain by the late 1970s had come to recognise the limits of the state.

Mr Alfred M. Vinton Jr, 47, an American banker, points to the impact of her unequivocal leadership on a country that was "fed up." Without the will or support at the top," he says, "the middle people—the heads of industry, the managers of plants—would never have had the confidence. Given the support on the labour side and given the need, in view of free market forces, that people were not going to be given free breakfast and lunch every day, managements were made much more responsible to the real world."

For the immigrant who came here because Britain was a land of opportunity, what Mrs Thatcher stands for is good. "She is trying to engender a sense of competition," says Mr Kim Kiseon, 36, a Korean travel agent.

"Those who don't want to work are lazy and should perish. There are a lot of unemployed here who could work, but don't want to and we have to end up paying for them with our taxes."

He has found some attitudes resistant to change. "In (south) Korea, if my neighbour drives a Rolls and I drive a 10-year-old Mini, then I'll work as hard as I can so I can have a Rolls as well. Here ... they don't care. I just can't understand that."

But others have noted vast changes in attitude. "I find that managers and employees now feel that they are institutionally and personally as able as anyone in the world," says Mr Vinton. "In their ability to make things work, to produce, to compete, to relate, to do ... whatever.

Kent Price: privatisation "right idea, wrong implementation"

"The British have always had the civil service stiff upper lip, the 'we've had a Commonwealth and we can teach you a few things' kind of thing, but outside that there is a confidence that they can get things done, and part of it is their ability to communicate with labour: to beat labour and communicate with it afterwards.

"There is also more dedication to results rather than lifestyle. The perks used to be a parking lot, a Rolls and the executive key room. I think that managers and executives still have those things, but they play them down and that is a very healthy sign. People want to be seen to be effective rather than have an extra stripe on their shoulder."

Privatisation is likely to be one of Mrs Thatcher's lasting initiatives, but again foreigners differ in their interpretation of it.

"I think the idea is right but the implementation is wrong," says Mr Price. "I see no benefit in taking British Telecom from being a public sector monopoly to a private sector monopoly. All the structural weaknesses and bureaucratic attitudes remain. I would have preferred to see BT split into three or four businesses."

According to others, while state ownership has been exchanged for private shareholders, control has not been democratised. Privatisation amounts, therefore, to not much more than "a very clever attempt to turn everyone into a Conservative," as Mr Scherman puts it.

"People don't seem to have realised that, notwithstanding their acceptance of the tenets of popular capitalism, nothing has changed. They don't have a say in the running of those huge companies and the monopoly still remains. But it has worked, because people want to own and it has struck a chord."

But for Mr Vinton the argument is less about whether privatisation is a sham, than whether it widened the community's understanding of business realities.

"You get an annual report and you see earnings going up, and that's one thing; but if the earnings are going down you ask 'What's happening here?'

"If you are protected and insulated from that, and it all goes through the Inland Revenue and the national Budget, the people who are actually paying for this through taxation don't understand what makes things go up and down, work and not work.

"It also makes those industries more responsive to their shareholders, and therefore they are more worried about what is right for their company than how it will be viewed politically."

But if the nation has developed a harder edge, it is not without loss. While much that was mediocre and dragged down the country economically is being turned around, that very process has undermined the egalitarianism introduced since the Second World War. The past 10 years have seen a challenge to the power of the trade union movement and a wholesale questioning of the welfare state.

"What this Government has done is to do it faster and with some brutality," says Mr Price. "But it would have been more brutal not to prepare people for the 21st century and let them face the adjustment then."

Mr Vinton echoes this view, but adds that the corollary of thinking about what is best for the individual, his company and his industry is that people think less about who is hurt. "I think the UK has probably become less caring—that's not to say uncaring, the UK is still a terribly caring nation—but it is less caring, relative to the mid-1970s, about the unfortunate."

At a governmental level, he believes the question: "Do you support the down-and-outers forever?" is answered in the negative. "If you do provide a relatively comfortable or subsistence level of support for everybody for the long term, you get a lot of people who elect to take the benefits. It's a tough decision to take, because you are making a conscious decision to save 90 per cent and hurt 10 per cent more."

For others, the Government's handling of the Westland, Zircon and Peter Wright affairs bespeaks a disregard for public debate and the parliamentary process. "Britain has always been to me, perhaps, the only country left in the world where the citizen, the individual, has some rights, and these have been to some extent been eroded," says Mr Scherman.

Kim Kiseon: "unemployed don't want to work"

He says this is a consequence of Mrs Thatcher's "take it or leave it" style of leadership, which places a high demand on loyalty at the expense of independent thought. But notwithstanding this, his description of life here would be endorsed by many:

"The French colony in London says: 'You cry when you come and you cry when you leave' and it's true to some extent. It's a very cosy life here... You can walk on the streets safe in the knowledge that nothing will happen to you; when the worst comes to the worst you can always go to a police constable; you are always somehow protected... people are prepared to help, they are sympathetic."

Tomorrow: Joe Rogaly on the welfare state.

Privatisation: irreversible, warts and all

IT BEGAN life modestly enough. Neither readers nor probably the authors of the Conservative Party's 1979 election manifesto could have guessed that four brief paragraphs buried deep inside, under the heading "Nationalisation," presaged the most far-reaching shift in the philosophy and boundaries of state ownership since the 1940s.

Eight years later, privatisation has transferred 14 large companies and many smaller ones, employing a total of 600,000 people, from public to private hands. The state sector has been cut by a third and, in the process, the Treasury has gathered in more than £11bn.

Politically, privatisation has succeeded beyond the Government's wildest dreams. Opposition in parliament and from the trade unions has been surprisingly muted and ineffectual, while the risks of floating what once seemed impossibly large chunks of equity on the stock market have been negotiated with only occasional embarrassment.

As the programme has developed, the Government's ambitions have grown bolder and more diverse. Initially the aim was to dispose of companies in competitive markets which could operate as well or better under private ownership. But since the flotation of British Telecom in 1984, the emphasis has begun to shift.

With the BT sale, which raised almost £4bn, privatisation began to assume importance both as a source of extra revenue and as a means of promoting wider share ownership. The appeal of the latter objective has doubtless been enhanced by the belief that, if large numbers of voters stand to lose financially from renationalisation, they will be less likely to vote for any party pledged to implement it.

But the most important change was that privatisation of BT, and subsequently of British Gas, raised a whole set of delicate policy issues. Many economists and even some Conservative MPs, have objected that in its eagerness to sell these large monopoly utilities, the Government failed to take effective measures to curb their market dominance and subject them to competitive disciplines.

Ministers have shrugged off such criticism and have continued to expound the virtues of privatisation with a fervour sometimes bordering on the evangelical. Increased efficiency and productivity, higher profits, more highly motivated employees, and keener response to the market are all claimed to be direct benefits.

The prospect of privatisation has clearly provided a salutary stimulus in a number of instances, notably British Airways and Cable and Wireless. In both cases, experienced top managers who might otherwise have balked at joining the public sector were brought in by the Government and given a free hand to put the companies' affairs in order.

The outstanding example of a recovery stemming directly from privatisation is the road haulage group National Freight. Since it was sold to a management-led consortium of staff and pensioners in 1982, pre-tax profits have increased nine-fold and its reputation with customers has improved dramatically.

"When National Freight was owned by the state it was appalling. Our dealers had to bribe drivers to get deliveries made," says Sir John Egan, chairman of Jaguar, itself privatised in 1984. "It's a very good contractor now."

However, some of the Government's claims for privatisation are much harder to prove conclusively. Some previously troubled companies, such as Jaguar, were on the road to recovery well before a decision was made to sell them, while others, like Enterprise Oil, were already successful. Some, like Amersham International, were deliberately chosen for privatisation because only minimal changes were needed to prepare them for market.

Amersham had operated since 1965 on a commercial basis with considerable management and financial autonomy. "Our being in the public sector was an accident of history," says Dr Stuart Burgess, its chief executive. "Practically all the things we have done since privatisation we would have done anyway."

Not surprisingly, perhaps, the most outspoken enthusiasts for privatisation are top managers of those companies which previously laboured under the most burdensome state control. The first point made by all of them is their immense relief at escaping from a rigid system which subjected them to constant official interference and often imposed political, social and economic obligations irrelevant or contrary to their commercial objectives.

"As long as ministers are publicly accountable for state-owned industries, it inevitably means that political considerations are uppermost in their minds," says Sir Eric Sharp, chairman of Cable and Wireless. "The main thing about government monitoring is not how to judge the most efficient use of resources, but an endeavour to avoid losses and maximise the Treasury take."

Flashback to the scramble to lodge Jaguar share applications

For Jaguar, the bugbear was less the Government than BL, of which it was previously a part. "I would spend days explaining to them. None of it was very productive," says Sir John Egan. Though BL was a reluctant seller, he says: "I never had the feeling that Jaguar was vital to anybody there."

For several companies, privatisation has brought freedom to expand and diversify. Cable and Wireless set up Mercury Communications, its first UK-based venture and deepened involvement in Hong Kong and China, all of which would have been politically difficult under government control.

Associated British Ports has begun developing 2,000 acres which, under state ownership, it had been forced to leave idle, while British Aerospace has bought Sperry Gyroscope (UK) and entered the US executive jet market.

Speedier decision-making is a positive result stressed by many top managers. "When you're competing with Boeing and McDonnell Douglas, you have to be quick on your feet," says Sir Austin Pearce, chairman of BAe. "Our old system of referring back to the Trade and Industry Department, which then had to refer back to the Treasury, was much too slow."

None the less, while privatisation has distanced BAe from direct Whitehall control, the company still depends on the Ministry of Defence, its largest single customer, for 40 per cent of total sales. It has also been seeking £500m of government launch aid for the next phase of the European Airbus programme.

The Government's apparent readiness to consider subsidies for Airbus, supposedly a commercial project, is oddly at variance with its insistence that the Channel Tunnel, a long-term infrastructure project, be wholly privately financed. The frontiers of the state, it seems, are being rolled back more energetically in some areas than in others.

Evidence that privatisation changed attitudes at the lower levels of companies is still fragmentary and varies from case to case. BAe, for instance, was fully nationalised for such a short period, only four years, that memories of private ownership are still fresh in the minds of many staff. National Freight's experiment in employee participation has clearly been highly successful but is an isolated case.

Many City analysts atribute Cable and Wireless's resurgence largely to the personal flair and strategic vision of Sir Eric Sharp but are less impressed by the company's middle management. "There is still an air of the Colonial Office at the lower reaches of the organisation," says one. At BT, too, some executives grumble that efforts to decentralise and speed up internal decision-making have yet to gain the upper hand over a traditional civil service-style bureaucracy.

Though trade union officials are wary of discussing privatisation openly, some key strategists concede in private that it is something they have to live with. The only serious campaign of resistance, organised by BT's unions, fell flat, and more than 90 per cent of the company's employees subsequently took up their share entitlements at the flotation.

Acceptance has not necessarily guaranteed industrial relations harmony, however, BT recently suffered a two-week strike, fought on what looked to many observers like old nationalised industry lines. A walk-out by 1,000 Jaguar workers over productivity proposals halted production of the newly launched XJ6 saloon last October.

Sir John Egan points out, nevertheless, that Jaguar's total days lost through strikes have fallen dramatically in recent years. He is unsure whether this is due to privatisation or to other factors such as changes in management style and the general climate of industrial relations. "If you shoot duck with shot, you never know which pellet knocks them down," he says.

Just how far ownership, as opposed to control and market structure, really matters in determining company performance is still debated between economists. It might well have remained largely an academic question, were it not for the privatisation of BT and British Gas.

Many economists argue that while transferring monopoly suppliers to private ownership may encourage them to maximise profits, it gives no serious incentive to increase efficiency, cut costs or improve the quality of service to customers. Competition, they say, is the only effective way to achieve these goals.

Numerous suggestions were made, both from within and outside Whitehall, that BT and British Gas be broken up and sold off in pieces. They were brushed aside, not least because of vigorous opposition from the two chairmen, without whose co-operation it could have been difficult to achieve successful flotations.

BT has taken steps to reorganise, speed up the modernisation of its network and cut waiting lists for telephones. However, most of these actions were initiated in response to the liberalisation of the telecommunications market in 1981, well before privatisation was seriously contemplated.

Unlike British Gas, BT faces some competition in its core business of network transmission. But it is limited at present to one operator, Mercury, and is unlikely to have much beneficial impact on residential subscribers. Much of the onus for stimulating efficiency and preventing monopoly abuses in telecommunications and gas seems likely to remain with the regulatory authorities created when the industries were sold.

The razzmatazz and controversy generated by privatisation has tended to obscure a genuine, if somewhat uneven, improvement in the performance of the nationalised industries. All the major ones except British Shipbuilders turned in better profit and loss results in the 1985-86 financial year, though these were distorted by special facters in several cases.

A recent study by the Institute of Fiscal Studies also found that the productivity of nationalised industries grew faster between 1978 and 1985 than at any time since 1960 and, in most cases, surpassed that of manufacturing industry. It attributed much of the improvement to the application of tighter government financial controls, but suggested that introducing more competition would yield further efficiency gains by encouraging state enterprises to pursue more rational pricing policies.

There is no sign, however, that the Government sees any reason to deviate from its conviction that privatisation, wherever practicable, is preferable to continuing the long struggle to find a satisfactory formula for managing nationalised industries. It has already announced its intention to sell Rolls-Royce, Royal Ordnance, the airports and water authorities, parts of British Steel and, more tentatively, the electricity supply industry.

That ambitious timetable will be governed, of course, by the state of the financial markets and, above all, by the timing and the outcome of the general election. If a Labour Government were returned, privatisation would almost certainly grind to a halt. But how far it would be reversed is uncertain.

Labour has moved a long way from its previous insistence on sweeping state control over the "commanding heights" of the economy. It is now formally committed to restoring public ownership only to BT and British Gas. Even these limited ambitions are being played down in favour of a policy of selective intervention which would focus on investment in education, research and development and advanced technology industries.

The Government's approach to privatisation may still be far from commanding universal approval. But Labour's change of attitude is eloquent testimony to the extent to which the policy has shifted not only the frontiers of the state, but also the terms of political debate.

Profit performance of privatised companies

Company	Year of privatisation	1981	1982	1983	1984	1985	1986
	Pre-tax profit (loss) — £m — to financial year ending:						
British Aerospace	1981	70.6	84.7	82.3	120.2	150.5	
Cable and Wireless	1981	64.1	89.2	156.7	190.1	245.2	295
Amersham International	1982	4.1	8.5	11.2	13.7	17.1	17.5
National Freight Consortium	1982	4.3	10.1	11.8	16.9	27.2	37
Britoil	1982	437*	514	586	688	730	
Associated British Ports	1983	(10.3)	5.5	14.5	(6.4)†	17.2¶	17.2
Enterprise Oil	1984	—	—	32.2‡	138.5§	138.5	111.1
Jaguar	1984	(31.7)	9.6	50.0	91.5	121.3	120.8
British Telecom	1985	570	936	1,031	990	1,480	1.810
British Gas	1986	—	430	803	909	712	782
British Airways	1987	(141)	(108)	74	185	191	195

All figures derived from annual reports and accounts.
* Part of BNOC.
† Effects of coal strike.
‡ Eight months figures only.
¶ April 3 1986: article compares £17.2m pre-tax profit for 1985 with £7m loss for 1984, but April 4 1985 article quotes 1984 results at £6.4m loss.
§ First full-year figures.

Proceeds from sales so far

(Net of costs, £m)

Amersham International	64
Associated British Ports	94
British Aerospace	389
British Airways	415
British Gas	1796
British Gas Debt	750
British Petroleum	827
British Sugar Corporation	44
British Telecom	2598
BT Loan Stock	105
Britoil	334
Cable and Wireless	1015
Enterprise Oil	382
National Enterprise Board Holdings	294
National Freight Consortium	5
North Sea Oil Licences	349
Miscellaneous	510

** Estimates for 1986-87*

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هكذا من الأصل

UK NEWS

Deadline set by Lloyd's over PCW settlement

BY NICK BUNKER

LLOYD'S OF LONDON is believed to have asked about 30 of the insurance market's underwriting agencies to say by today whether or not they will contribute to a settlement of the long-running PCW affair.

The agencies involved are so-called "members' agents" which placed Lloyd's underwriting members ("Names") on the former PCW syndicates during the 1970s and early 1980s.

It is understood that they have been asked to make ex gratia payments of around £10,000 to £50,000 each towards a sum of about £135m needed to settle the affair, in which more than 2,000 members of Lloyd's face gross trading losses of some £380m.

The ruling Council of Lloyd's is due to hold an unscheduled meeting today, a week in advance of its regular monthly meeting on April 1, to discuss the PCW affair.

This has led to feverish speculation in the Lloyd's market that the council will make an announcement soon – possibly as early as next week – of the terms on which it is seeking a settlement.

Senior staff of the Corporation of Lloyd's, the market's central secretariat, are understood to have worked through the weekend to draw up documents for submission to the council.

The PCW affair erupted at Lloyd's in late 1982. It began to emerge then that Mr Peter Cameron-Webb and Mr Peter Dixon, the former managers of the PCW syndicates, had masterminded the misappropriation of at least £40m of syndicate funds.

It later emerged that the syndicates were facing huge insurance claims, arising from underwriting of so-called "long-tail" North American casualty insurance, including a significant exposure to product liability risks.

The non-marine syndicates also had a big exposure to professional indemnity insurance written for large international accountancy firms.

Lloyd's is, however, believed to need only about £135m to meet the losses, after allowing for the former PCW syndicates' assets and investment income that can be earned before the claims have to be paid.

The PCW 1985 Committee, which represents 400 members of the three non-marine PCW syndicates, is now convinced that Lloyd's will ask the 2,300 PCW Names for a contribution of about £35m.

The bulk of this liability is expected to fall on the 400 non-marine Names. But it is thought likely that a sizeable minority of them will refuse to settle on Lloyd's terms and could try to sue Lloyd's itself and a number of bodies in the market including Minet Holdings, Sedgwick Group and Alexander Howden, the insurance broking groups.

Signs that a settlement was imminent appeared late last week, when representatives of the 30 members' agents involved held a meeting to discuss the PCW affair.

BT endorses System X

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

BRITISH TELECOM, the UK telecommunications group, gave a strong endorsement yesterday to the UK-produced System X digital telephone exchange when it announced its latest round of switching orders.

System X, the technology developed by GEC and Plessey, Britain's two leading electronics groups, will be used for 455,000 lines of equipment worth £64m under the terms of the new contract.

The rival System Y exchange provided by Thorn Ericsson, which was deliberately brought into the British supply industry to provide competition to the UK companies, has received orders for more than 70,000 lines valued at £8m.

The new orders are the tenth batch that have been placed by British Telecom since it began the process of converting its telephone system to digital exchanges.

Police bullion claims rebutted

By David Lascelles

SIR KENNETH NEWMAN, the London Metropolitan Police Commissioner, has come across some tough customers in his time. But the Old Lady of Threadneedle Street, alias the Bank of England, must surely top them all.

These two great guardians of probity were locked in verbal combat yesterday over the astonishing suggestion that the Bank was an unwitting accomplice to the Brinks Mat £26m gold robbery in 1983.

According to Sir Kenneth, the crooks had laundered their ill-gotten gains by drawing £13m in £50 notes from a small Barclays bank branch in the south-west of England.

Sir Kenneth told the Police Foundation in London on Monday night that the stolen gold was smelted with copper to disguise its purity.

Through a middleman it was then "impudently" sold back to original owners, Johnson Matthey, giving the thieves the problem of laundering huge amounts of cash.

The money was paid into a small country branch of Barclays Bank, and members of the gang, now serving long jail sentences, began to draw on it.

"In fact so many £50 notes, £13m worth, were drawn from the bank over a short period that there was such a rise in the number of notes supplied by the Bank of England in a month to its regional office in Bristol, that the point was reached at which the Bank was obliged to notify the Treasury," Sir Kenneth said.

Stung by the allegations, the Old Lady sprang into action. "None of this is true," it thundered through a press notice yesterday afternoon.

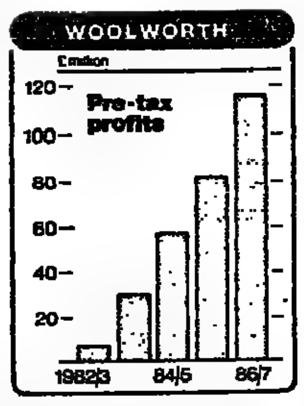
It went on: "There were no exceptional drawings of £50 notes from the Bank's Bristol branch during the relevant period. It follows that nothing was reported to the Treasury and that no extra notes were printed. It is therefore not surprising that no alarm bells rang."

A Bank spokesman agreed that it was most unusual for the Bank to take public issue with such a highly placed personage. But Sir Kenneth was wrong, and a strong reaction was considered necessary. "The wording was chosen quite carefully," he said.

Woolworths' 40% rise in profits confounds City forecasts

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

WOOLWORTH HOLDINGS yesterday confounded City of London analysts and its own forecasters as it unveiled a 40 per cent increase in pre-tax profits for last year.



The £115.3m result exceeded the retailing group's predictions of last June, when the takeover battle with Dixons was at its height, by about 10 per cent. Most City pundits had been expecting profits of around £105m.

"We have delivered," declared Mr Geoffrey Mulcahy, group chief executive. All divisions had advanced strongly and the prospects for future growth were "very exciting," he said.

Woolworth, once the sick man of British retailing, has consistently improved its results since a group of City institutions bought it in 1982 from its US parent.

The out-dated variety store concept has all but vanished, and Woolworth is fast becoming a specialist in several key sectors.

"Retail specialism is the common thread throughout the group," Mr Mulcahy said. A pilot car parts and service business, tested in its B&Q do-it-yourself sites, is poised for rapid expansion through the pending acquisition of the Charlie Browns autocentre group.

The first of a planned chain of Kidstores – outlets devoted entirely to the needs of children from birth to 13 years old – will open in Ealing, west London, next week. The group plans to open a further three this year.

The abortive bid for Underwoods, the London-based chemist chain, recently gave a further indication of the direction chosen by the group.

Much of last year's growth came from the fast-growing B&Q do-it-yourself chain, which opened 29 new stores, increasing selling space by 1.5m sq ft. Expansion will continue at a similar rate this year, Mr Mulcahy said, forecasting a 300-store chain by 1990.

New management and merchandising in the Comet electrical business contributed to a 46 per cent increase in profits.

However, the most spectacular gains were recorded in the F. W. Woolworth retail stores, where profits rose 120 per cent last year.

"Operation Focus," a refurbishment and defined merchandising plan which cut out food, adult clothing and other non-core lines, has so far been implemented in only about 25 per cent of stores.

The full benefits were yet to come, Mr Mulcahy said. It was difficult to gauge the full effect of the changes, but, he claimed, the signs were that Woolworth's was attracting younger, more affluent shoppers.

In 1982, the average sale per customer was less than £1. In the worst of the new-look stores the figure was now more than £3 and close to £5 in the best, he added.

Lex, Page 26; Details, Page 33

Norcros rebuffs Williams bid

BY CLAY HARRIS

WILLIAMS HOLDINGS, the British conglomerate, yesterday met an immediate rebuff when it launched its largest takeover bid, valuing Norcros, the building materials and printing group, at £540m.

The hostile bid had been widely expected after Norcros discovered that Williams had built up a 2.3 per cent stake and earlier this month rejected suggestions of a friendly merger. The latest offer, in new Williams shares with a cash alternative, is Britain's largest contested bid since the conglomerate BTR backed off in January from its £1.1bn pursuit of Pilkington, the glassmaker.

Williams, which has seen its market capitalisation rise from less than £500,000 to more than £350m in less than six years, said the bid was based on the commercial merit of combining the two businesses under its direction.

Williams pointed to particular benefits in consumer and building products. It feels that Norcros has not taken sufficient advantage of UBM, the chain of builders' merchants it bought in 1985.

"Norcros' top management has lost its way," said Mr Nigel Rudd, Williams' chairman. "It needs an injection of enthusiasm right at the top."

Mr Terry Simpson, Norcros' chief executive, said that claims of synergy between the two groups' products were "very tenuous and nebulous. It really is chalk and cheese. There is no comparison at all."

Mr Simpson rejected criticism of Norcros' management. Fresh ideas were being implemented throughout the group, he said, and, "we can't see what it is that they can possibly bring to Norcros."

In building products, where Williams' brands include Rawlplug and Swish, and Norcros' brands include Crittall and Permacell, Williams outlined a plan for joint promotion and development of new products. Norcros' Butterley engineering activities, moreover, would fit well into Fairey.

Williams praised Norcros' specialist printing and packaging activities as being in accordance with its own philosophy. It would "flourish within the Williams environment and benefit from Williams' acquisition skills."

Williams last week reported pre-tax profits of £22.9m on turnover of £201.1m in 1986. In its most recent full year, to last March 31, Norcros achieved pre-tax profits of £45.1m on sales of £639.7m.

Williams rose 2p to 752p yesterday. The terms of its offer of 29 Williams shares for 50 Norcros value each Norcros share at 431p. On the stock market Norcros rose 28p yesterday to 425p.

Schroders and Barclays de Zoete Wedd, Williams' advisers, have underwritten the new shares at 690p to fund a cash alternative of 400.2p per Williams share. There is also a part alternative of convertible shares.

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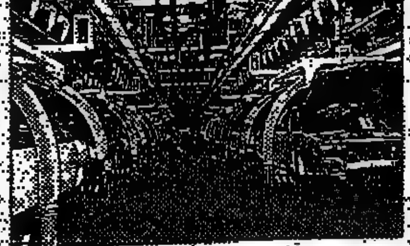

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25th March, 1987

Haughey will stand by Ulster agreement

By Hugh Carnegy

MR CHARLES HAUGHEY, the Irish Prime Minister, yesterday gave his clearest undertaking to date that he will not seek to renegotiate the 1985 Anglo-Irish agreement on Northern Ireland, as he indicated he intended to when in opposition.

Mr Haughey, returned to office earlier this month, said he continued to believe that Article One of the agreement, which recognises the right of Northern Ireland to remain part of the United Kingdom so long as the majority there so wish, contravened the Irish constitutional claim to the whole island.

But he said in answer to questions in Parliament that his Fianna Fail Government accepted the accord as an international agreement entered into by the previous administration, led by Dr Garret FitzGerald.

"Article one is an integral part of a binding international agreement. As such it could only be changed by mutual agreement (with Britain) and it is clear that this would not emerge," Mr Haughey said.

His Government "will fulfil and operate the Anglo-Irish agreement" to the benefit of all people in Northern Ireland, especially the nationalist minority, he said. He confirmed Mr Brian Lenihan, the new Foreign Minister, would co-chair the Anglo-Irish conference with Mr Tom King, the Secretary of State for Northern Ireland.

The first meeting of the conference since the change of government in Dublin is expected early next month.

Last year, Mr Haughey strongly criticised the agreement, saying its constitutional implications were unacceptable and asserting that the lot of nationalists had deteriorated under it, not improved. He told journalists he would seek to renegotiate the pact.

Since then he has gradually retreated from that stance. Significantly in the light of strong American support for the accord he assured President Ronald Reagan in Washington last week that Fianna Fail would operate it.

Shipowners urged to fit 'black box' recorders

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

SHIPOWNERS WERE yesterday urged by Lloyd's Register, the independent ship inspection society, to fit "black box" voyage recorders to their vessels, similar to those used in aircraft.

The society said it had successfully tested a prototype voyage recorder which could be put into commercial production "in a very short time."

The recorder would provide valuable information on the causes of accidents at sea, such as the capsize of the vehicle ferry Herald of Free Enterprise off Zeebrugge two weeks ago.

Mr Roderick MacLeod, chairman of Lloyd's Register, called on shipowners to fit recorders voluntarily, despite the absence of international agreement on standards.

Compulsory fitting of voyage recorders could be ordered only by national governments or the International Maritime Organisation, the United Nations agency responsible for safety at sea.

Mr Tony Viner, Lloyd's Register's principal surveyor, said the prototype recorder developed by the society was undergoing final tests on its ability to withstand fire.

Mr Viner said prototypes had been operating for two years on board the Ellerman Lines container ship City of Plymouth and the Blue Star Line general cargo vessel Boniface.

The tests had overcome problems with data storage and recovery procedures which had made the development of recorders for ships more complex than those used in aircraft.

"We have developed a system whereby we can reduce the amount of data so that we can get eight weeks of data on one tape and still come up with sufficient information for an inquiry," he said.

The recorder was developed by Lloyd's Register as part of a research programme, partly financed by the Department of Transport. Similar research is being undertaken in West Germany and Norway, but Lloyd's Register's version is the only one known to be ready to enter commercial service.

Lloyd's Register officials, who were presenting the society's annual report, refused to comment on the causes of the loss of the Herald of Free Enterprise, except to confirm that all necessary structural surveys had been carried out.

Mr MacLeod said the society had a responsibility, however, to strive to prevent too great a divergence between public expectations of increased safety, and the capacity of industry to meet the costs.

"Even if absolute safety were achievable, it could not be assumed that the commercial world would be able or willing to accept the cost of achieving it," he said.

"If a society whose primary purpose is to promote safety suggests that the judgment of safety levels must be seen in relative rather than absolute terms, it risks being seen as avoiding its responsibilities or being indifferent to the risks to life or property or the environment.

"Nevertheless I believe this point must be firmly made if public reaction to marine casualties is to be kept in proportion," he said.

London bus plan breaks down in China over spares and cash

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

AN AMBITIOUS plan to put hundreds of traditional London buses on the streets of China is on the verge of collapse because of financial problems and a shortage of spares.

United Transport International, the private company which masterminded the deal, says it may now turn to the municipal authorities in Berlin to provide more reliable surplus buses made in West Germany.

UTI, a subsidiary of BET, shipped two of London Regional Transport's Routemaster buses to China a year ago, and says they have been an enormous success with passengers in Peking and Guangzhou (canton).

"The customers were delighted with them and they caused a big sensation, but the problem has been keeping them on the road," said Mr John Clymo, UTI's director of bus operations.

Mr Clymo said UTI had been unable to identify a reliable source of spares, either from LRT, which built the buses, or elsewhere.

He added: "I would be very surprised if we could go ahead with this. It was a good idea, but the problems are very considerable."

UTI has also run into problems caused by changing Chinese attitudes to advertising on the buses, which was originally intended to finance the deal.

"The idea was that as the Chinese did not have any hard currency, the buses would be paid for by giving the advertising rights to UTI," Mr Clymo said.

"That did not eventually find favour with the Chinese authorities – the main reason they ran into foreign exchange problems in the first place was a glut of Japanese consumer goods, and they did not like the idea of us advertising similar consumer goods on these buses."

UTI is discussing a compromise deal with the Chinese authorities which would allow them to advertise on fixed sites around the two cities, but no decision has yet been made on whether this would be sufficient to finance a major programme of bus purchases.

Even if the financial details can be ironed out, it seems likely that the spares problem will prevent the export of any more of London's 1,850 operational Routemasters.

That would remove a big potential export market for LRT, which is replacing the Routemaster with modern buses which can be operated by a single crew member.

Venture funds 'stimulate profits'

By Charles Batchelor

COMPANIES WHICH make use of venture capital funds experience rapid rates of growth in profits, turnover and employees, according to a survey published yesterday by the British Venture Capital Association (BVCA).

Venture capital funds, which provide loans and share capital to high-risk young companies, have had a significant impact on the UK economy in the relatively short time they have been operating in Britain, the study said. Venture capital has taken just six years to reach the same position it took its US counterpart 25 years to achieve.

The survey, the first of its kind, is intended to provide the association with strong arguments to put to the Government for the venture capital industry to be given sympathetic treatment in any financial or tax legislation.

The survey looked at 92 companies, all of which obtained a stock exchange or Unlisted Securities Market (USM) quote, between 1983 and 1986. Only nine were backed as start-ups or at an early stage of development.

The rest were less risky later stage financings or management buy-outs.

In the four years ahead of flotation, the profits of these 92 companies grew at an average compound rate of 35 per cent a year to reach an average of £2.1m in the year of flotation.

Turnover grew by 12 per cent a year to an average of £25m, while the number of employees rose by 18 per cent a year to an average of 476 per company.

High technology companies were on average loss-making five years before flotation, but once they moved into profit average profitability grew at a compound rate of 88 per cent over the next four years.

Service-related businesses showed the strongest rate of growth in terms of employees, rising by an average of 43 per cent a year to an average of 788 employees per company. But the average number of people employed by management buy-out companies fell sharply in the two years before flotation.

Survey of the Impact of Venture Capital in the UK. BVCA, 1 Surrey Street, London WC2R 2PS; £150.

How to set up a cellular mobile telephone system without any government money whatsoever.

Read how Comvik International, in cooperation with local partners in each country, sets up, markets and operates nation-wide, cellular mobile telephone systems.
NOTE: Comvik and partners provides *all* the money.
All the governments do is earn money.

COMVIK INTERNATIONAL is a company that sets up, markets and operates modern, cellular telephone systems in many countries. The modern system we use was developed by Comvik International, and is based on the '80's most advanced microchip technology.

Let us now tell you about the different advantages of our system, which together make our system more convenient for users than any other existing system.

7 major advantages of the Comvik approach:

1. Public sector money is not needed.
Instead, authorities can use their money to maintain and further develop their existing telephone networks.

2. Rapid introduction of service: 6 months.
Within 6 months after frequencies are assigned we will be ready to start operating. (Look at your calendar, count 6 months ahead, and then you can mark with a red "X" when the system will be ready to use!)

What's more, our system is modular, which means that operating capacity can be increased at the same pace as the market capacity increases. And no matter how steadily or how much both capacities continue to increase – no government money is ever needed.

3. The governments earn money on the Comvik System.
The Comvik System does not operate independantly of the existing national telephone system – our system plugs into the existing system thus *adding* to the existing system's capabilities. Which, of course, provides extra income to the telephone company. It's that simple. And of course this extra income is generated without any investment on the part of the telephone company.

4. Comvik will buy equipment from local manufacturers.
Comvik is an *operating* company. We neither manufacture nor *sell telephone equipment.* So in those countries where proper manufacturing facilities exist, Comvik and its local partners will transfer its technology to a local company and purchase equipment locally. This of course creates jobs and saves foreign currency – two extra advantages for countries using the Comvik system.

5: *Comvik is open* to suggestions from host governments about its choice of local partners.
We ask only that our partners enjoy financial health and have the best possible reputation.

6. Comvik educates technical personnel so thoroughly that product and service development can continue in the host country.
We will teach technical personnel *everything* we know about our system. We will hold nothing secret. Which means that technical experts in every country in which we operate can develop special applications specifically suited to local conditions. In Hongkong, for example, our local technical personnel developed the Comvik Systems to serve the needs of the various Hongkong taxi companies.

7. Comvik International's experience is both extensive and varied because it comes from different countries.
Thus, we know how to market not only *mobile telephones* but also mobile telephone *service.* Our goal is to give every market in which we operate a first-class mobile telephone system, a system specifically tuned to each market's individual needs. Anything less would be bad business for all of us. So we never provide anything less.

Are there no disadvantages to using Comvik?

Yes, one.

But let us first answer some questions that always come up when we introduce our system:

A. Won't it be expensive for subscribers?
No. Despite the fact that the Comvik System gives subscribers more convenience than found in traditional cellular telephone systems, fees are no higher – and why should they be?

B. Are the assigned frequensies really used efficiently?
Of course, as efficiently as any other cellular systems.

C. Does Comvik want a monopoly?
No. In Sweden, *for example,* we compete with Televerket (the Swedish Telephone Company) with a license from The Swedish Government.

Now, getting back to our disadvantage – what is it?

Comvik is *not* a manufacturing company.

We are an operating company.

So you can't *buy* our system – together with our local partners *we operate the Comvik System ourselves* in each of our host countries.

Of course the great advantage of this seeming disadvantage is that we alone are completely responsible for the functioning of our system to our subscribers' complete satisfaction and to the satisfaction of our host government.

One last question that is always asked us:

How can Comvik International establish a system without any government funding when the traditional cellular systems need millions upon millions of dollars to build a nation-wide network?

We don't need (or want) government money because of the modern electronic technology we use.

In fact, this modern technology costs so little that we need only *1.000 subscribers within 2 years* to consider any market a worthwhile market. Of course the reverse of this is that less than 1.000 subscribers is not worthwhile.

COMVIK International

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Summed up:

- Comvik International is an operating company, pure and simple. We neither make nor sell equipment.
- Together with our local partners we set up, market and operate a modern, cellular mobile telephone system with a *unique price performance.*
- The Comvik System can provide jobs for local equipment manufacturers.
- Comvik, together with its local partners, provides the entire investment necessary to set up and operate the system.
- The Comvik System will begin to operate 6 months after we have been assigned our frequensies and have been licensed to connect into the existing telephone system.
- Comvik provides extra income to the government at no cost to the government.

If you will fill out the cupon below, we will be glad to send you more information about the commercial, technical and consumer aspects of our unique approach.

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S-111 57 Stockholm
Sweden

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☐ Please call me

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Telephone:
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Comvik International is a member company of the Swedish investment group Kinnevik, which is active within the paper, steel, engineering, electronics and communication industries.

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British Airways plans £1bn aircraft orders

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is planning a £1bn order for aircraft to replace its existing ageing fleet of 19 Lockheed TriStar airliners.

Decisions will be taken over the next few months as part of the airline's overall £5bn-£6bn re-equipment programme through to the early to mid-1990s.

The aircraft now being studied for long-range routes include the proposed four-engined A-340 version of the European Airbus, and the new US McDonnell Douglas MD-11 three-engined aircraft. British Airways would need at least 10 aircraft in this category to replace its medium-to-long-range TriStars.

For shorter routes BA is studying another existing version of the Airbus, the twin-engined A-300-600 and the US Boeing twin-engined 767. It would need at least nine aircraft in this category to replace those TriStars that it now uses on short-haul routes.

But the choice of engines is likely to be critical in determining what the airline buys. Ideally, it would like Rolls-Royce engines but the problem will be whether the right versions of the Rolls-Royce power plants will be available at precisely the time the airline wants to have the aicraft in service.

For example, it could get the RB-211-524 engine for the McDonnell Douglas MD-11s, but whether it could get the most powerful version of that engine, the D4D, of around 60,000 pounds of thrust in time remains to be seen.

These critical factors are now being discussed between the airline, Rolls-Royce and the airframe manufacturers, and the outcome of those discussions will have a significant influence on which types of aircraft the airline will eventually buy.

For the longer-term future, BA is interested in the proposed Boeing 7J7 150-seater airliner which may be launched this year, to fill a gap in its fleet, while it is also interested in a possible replacement for its ageing fleet of One-Eleven short-range jet airliners, either by the Dutch Fokker 100 or another version of the best-selling Boeing 737 jet airliner, the series 500, both of witch seat around 100 to 110 passengers.

Decision on these latter aircraft, however, are longer term than the more immediate need to settle the TriStar replacement problem. A decision this year on the latter re-equipment programme is needed to ensure delivery of whatever aircraft is chosen by the early 1990s.

Airline promises more aggressive marketing

BY OUR AEROSPACE CORRESPONDENT

THE NEWLY privatised British Airways intends to become more aggressively competitive, Mr Colin Marshall, its chief executive, said yesterday.

Privatisation had given the airline a new freedom, putting BA on a similar footing with Britain's other airlines. "We expect no favours, but then neither can any of our rivals," he said. "To put it bluntly, we are now purely out for the interests of British Airways.

"It will sometimes mean forging new partnerships, to enable us to capitalise better on certain initiatives. And we will be free to diversify when appropriate opportunities arise."

But he emphasised that the Government had a role to play in ensuring that its policies did not restrict BA's expansion. "We face competition worldwide, from the major US domestic and international airlines, from highly efficient Far Eastern carriers and heavily-subsidised European airlines.

"We will be competing from a position of strength," he said.

Accused 'tried to dupe bond investor'

Financial Times Reporter

TWO SWISS businessmen tried to dupe a West German investor into parting with SFr 8.5m (£3.4m) for fake bearer bonds, Southwark Crown Court in south London heard yesterday.

Mr Walter Isenschmid, 43, and Mr David Schnider, 44, set up a company called Chase Manhattan Corporation Ltd, based at rented offices in Regent Street London, and then "attempted a clever but simple fraud," said Mr David Paget, prosecuting.

"They had bearer bonds expertly printed worth an enormous sum of money on the face of it, but in fact they were worth no more than the paper on which they were printed," Mr Paget said.

Mr Isenschmid and Mr Schnider plead not guilty to four allegations of fraud committed between June 26 and July 16 last year.

Mr Paget told the jury that the two men advertised in West German newspapers for investors with at least SFr 100,000 to put the money in bonds paying 14.5 per cent yearly interest.

A merchant banker, Mr Gunter Gaertner, "thought the offer was too good to be true," and telephoned the London number given.

Mr Isenschmid gave Mr Gaertner the impression that the bonds had been issued by the American Chase Manhattan Corporation.

In fact, the two businessmen had employed a printer, who specialised in ultra-violet printing to create the bonds, which closely resembled the real thing.

"Gaertner was obviously interested and had SFr 8.5m to invest, but, being a cautious and prudent man, he said he wanted a recognised bank to certify that they were, in fact, Chase Manhattan bonds," Mr Paget continued.

The two men were arrested on July 15 last year when they took their bonds to Lloyds Bank.

The trial, which is expected to last for two weeks, continues.

Extradition of former Parrot chief sought over fraud allegation

FINANCIAL TIMES REPORTER

MAGISTRATES HAVE granted an extradition warrant to bring a US lawyer to Britain for questioning on an alleged fraud involving millions of pounds of taxpayers' money.

A Director of Public Prosecutions (DPP) spokesman yesterday said that Mr Frank Peters, 39, former head of the Parrot Corporation computer disk company, would face four charges of theft by deception involving "substantial" sums and two charges of forgery.

The move follows nearly two years of investigations by police to unravel the affairs of Parrot which operated from an industrial estate at Cwmbran, South Wales.

Several million pounds were put into the project in January 1984 by the Government's Welsh Development Agency and City of London institutions. The £8m investment package was then the biggest of its kind.

The high-tech company ran into trouble in April 1985 and had to be rescued from collapse by Mr Nicholas Edwards, Welsh Secretary, with a further £3m of public money.

Mr Peters, now based in Chicago, returned to the US shortly after being ousted from Parrot in a boardroom coup. A private sitting of Cwmbran Magistrates yesterday began hearing the application to bring back Mr Peters to stand trial for alleged fraud. Yesterday the DPP spokesman said the necessary papers would now be prepared to present to US legal authorities in the next step toward extradition.

In press interviews, Mr Peters has maintained his innocence and has previously claimed he offered to return to Britain to help police.

Vauxhall launches three high-performance cars

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS is launching three high-performance, "image-building" Vauxhall cars in the UK today to help achieve its aim of keeping 16 per cent of the new car market in 1987.

The most important newcomer, in terms of volume sales, is the Astra GTE which the company claims can accelerate from 0 to 60mph in 8.7 seconds and has a top speed of 127mph.

Most important in image terms is the Carlton GSi 3000 saloon, top-of-the-line model in the Carlton range which was voted 1987 "Car of the Year".

Mr John Bagshaw, Vauxhall's chairman, says the computer software problems which held back early production of the Carlton (sold in the rest of Europe as the Omega) at GM's Russelsheim factory in West Germany have now been solved.

Vauxhall is also introducing today the Cavalier SRi 130 models with a top speed of 120mph and acceleration from 0 to 60 in 9.5 seconds. Mr Bagshaw expects Vauxhall to sell 5,000 to 6,000 of the new Cavaliers this year.

Prices: Astra GTE, £9,500; Cavalier SRi saloon, £9,999, hatchback £10,196; Carlton GSi 3000 £16,999.

HongkongBank

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Incorporated in Hong Kong with limited liability

Ordinary Yearly General Meeting

Notice is hereby given that the Ordinary Yearly General Meeting of the shareholders of the Bank will be held on Level 18, 1 Queen's Road Central, Hong Kong, at 3.00 pm on Tuesday 12 May 1987 to transact the following ordinary business:

1 to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors for the year ended 31 December 1986;

2 to elect Directors; and

3 to appoint Auditors and fix their remuneration

and by way of special business to consider and (if thought fit) pass the following Ordinary Resolution:

4 That a general mandate be and is hereby given unconditionally to the Directors to issue and dispose of additional shares provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong) or (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Regulations of the Bank, the additional shares issued and disposed of shall not in aggregate exceed one *per cent* of the issued share capital of the Bank;

and the following Special Resolution:

5 That in accordance with the provisions of Section 4(2) of The Hongkong and Shanghai Banking Corporation Ordinance, The Hongkong and Shanghai Bank Regulations be amended as set out in the Schedule to the letter to shareholders dated 27 March 1987, a copy of which is submitted to this Meeting and signed by the Chairman for the purposes of identification.

By Order of the Board
R G Barber
Secretary

Hong Kong, 24 March 1987

Notes:

(1) The Register of Shareholders will be closed from 31 March until 22 April 1987 (both dates inclusive). In order to qualify for the rights issue, the capitalisation issue, and the special interim dividend announced by the Directors on 10 March, all transfers (accompanied by the relevant share certificates) must be lodged with the Registrars not later than 4.00 pm on 30 March 1987.

(2) None of the Directors has a service contract with the Bank of more than one year's duration.

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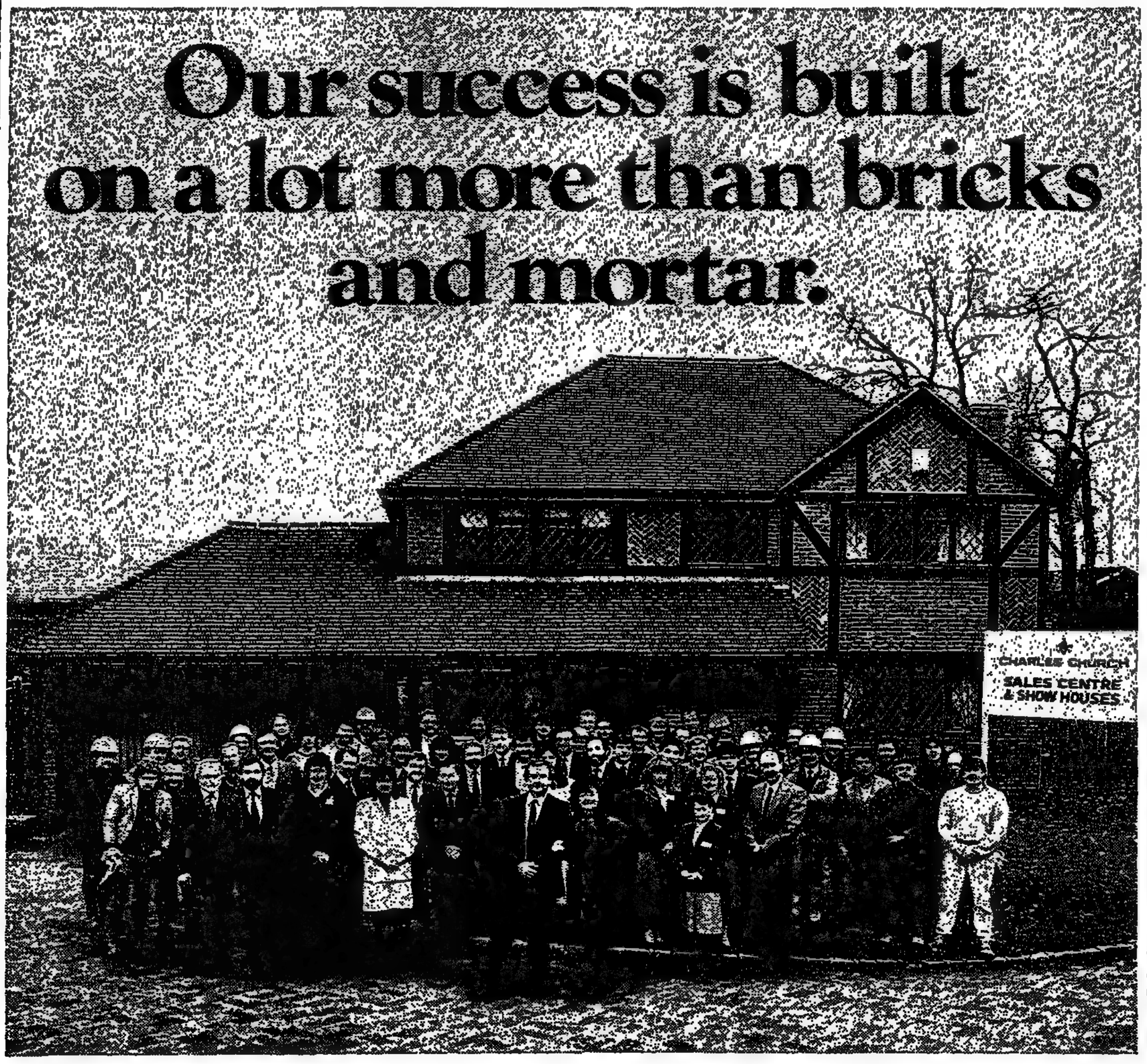

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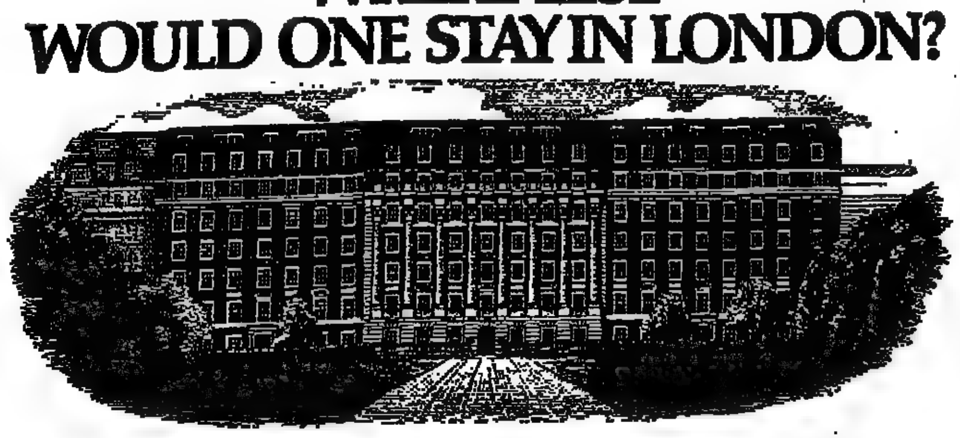

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UK NEWS

Peter Marsh reports on British efforts to join SDI

Aiming for Star Wars contracts

OFFICIALS at Britain's Defence Ministry who are trying to increase the UK's meagre share in the US Strategic Defence Initiative (SDI) are heartily sick of references to the $1.5bn (£927m) of work which the UK was supposed to gain from the project.

This amount of cash relates to the sum mentioned two years ago by Mr Michael Heseltine, the former Defence Secretary, during initial negotiations with the US about the SDI, also called Star Wars. "The figure was plain bloody nonsense," said one senior industrialist closely involved in the discussions. "Anybody with any sense realised we wouldn't get anything like it."

The man now wrestling with Mr Heseltine's begacy is Dr Stanley Orman, director general of the SDI Participation Office set up by the Defence Ministry to help UK companies gain a toehold in the programme. Star Wars, which is expected to spend about $30bn by the end of the decade, is aimed at producing devices such as "smart" rockets and laser guns that could shoot down Soviet weapons in flight, so shielding the West from nuclear attack.

So far Dr Orman's efforts as Britain's Star Wars salesman have had modest results. British companies and research institutions have received $34m of orders for SDI work, out of about $7bn awarded to US contractors since the programme started. Among the companies to receive orders are GEC Plessey, British Aerospace, Ferranti, Thorn EMI and Racal.

Dr Orman, a flamboyant figure who is rarely seen in public without a colourful bow tie and matching handkerchief, agrees that Mr Heseltine's $1.5bn target was not realistic. He says that "the most the UK could cope with" is $100m-$200m worth of contrcts a year. According to this lower figure, Dr Orman believes the US is doing reasonably well.

He hopes for a further $75m worth of contracts by the end of this year and says people should not expect the orders to build up quickly. "We are seeing plenty of interest in the US (concerning the UK's capabilities in Star Wars). But it all takes time."

Dr Ormen said that Britain's involvement in Star Wars would be justified even if the country failed to gain a larger number of contracts.

This was on the grounds that the experience of trying to fix up joint research deals with the US would be useful for a lot of British companies, and also that exposure to the US's ideas in anti-missile technology would help in the updating of Britain's own system of nuclear missiles. This is based on US Polaris missiles, which are due soon to be replaced by Trident projectiles.

In spite of these other reasons for wanting British involvement in Star Wars, Dr Orman is clearly determined to raise the UK's commercial stake in the programme.

Since he moved into his new job last year, where he is in charge of a small team of officials, he has spent a considerable amount of time in the US, telling Government scientists and industrialists about the expertise that Britain has to offer. Areas where the UK has relevant skills include computer software, sensors and "countermeasures" – techniques to stop possible Soviet interference with Star Wars space hardware.

He appears committed to cementing ties between the US and UK military establishments, as indicated by the badge of the two countries' flags which he wears on his lapel.

According to Dr Orman, US defence companies have been told by the Pentagon that they will win "brownie points" if they fix up Star Wars deals with British subcontractors. However, he admits that a great deal of persuasion is required to break down the inbuilt reluctance of the US defence establishments to involve foreign concerns in sensitive projects.

Dr Orman, who joined the Defence Ministry as a weapons scientist in 1961, has good technical credentials for his job. A chemist by training, he rose to become deputy director of Britain's top weapons laboratory, the Atomic Weapons Research Establishment at Aldermaston, and also spent two years at the British embassy in Washington.

Dr Orman – whose interest in weapons is testified by the numerous pictures of Polaris missiles which line the walls of his office – was also closely involved with Britain's Chevaline project. This was a programme, for many years kept secret even from parliament, to put multiple warheads on UK nuclear missiles to confuse any Soviet attempts at shooting them down.

The Star Wars chief has a reputation for outspokenness and confirms this with his biting criticisms of the way UK industry has gone about trying to gain SDI contracts. He says that the Government can only do so much, in terms of arranging contacts for companies and briefing them on what to expect when dealing with the US military system. According to Dr Orman, British concerns have lacked "drive and determination" in their approach to SDI.

"UK companies need desperately to learn to sell themselves. British Industry has an excellent track record in selling products. But they are not used to selling their capabilities (in technical ideas) in a competitive market. We don't seem to breed the entrepreneurial technologists which the US is so good at producing."

In industry, there is a feeling that Dr Orman is correct in some of his judgements, though some question his credentials for making such sweeping statements. One marketing manager in a large UK defence systems company noted that Dr Orman had always worked for government agencies. "He may underestimate the difficulties the private sector experiences in finalising contracts with the US defence establishment, even after the initial groundwork has been laid."

Boardroom 'salaries rising 10% a year'

FINANCIAL TIMES REPORTER

LARGE COMPANIES are setting the pace in increasing boardroom pay, according to a survey which shows that the differential between directors' earnings and those of the workforce is widening.

Boardroom base salaries are rising at about 10 per cent a year – compared with about 5 to 6 per cent for the workforce as a whole – and in companies with more than £100m turnover the median board pay increase is 12 per cent.

There is a wide spread of individual increases within companies, as well as between companies, with a quarter in the survey sample receiving 6 per cent or less and a quarter 17 per cent or more.

"Some of the highest increases," Charterhouse comments, "are in companies which have moved from family to non-family management."

The study, "Top Management Remuneration," carried out twice-yearly by Charterhouse, the banking and financial services group, says: "The key factors which have contributed towards the increase of top management earnings are the growth of performance-related payments and the requirement for UK salaries to be more competitive internationally."

Charterhouse says that from 1980 to 1986 chief executives' earnings rose on average by 93 per cent, compared with 84 per cent for average earnings in manufacturing.

In the first three years of this period, average workforce earnings advanced faster than for chief executives, but since then the index for chief executives has risen by 38 per cent, while that for the manufacturing workforce has gone up by 29 per cent.

In many large groups, the earnings' increase for directors has far exceeded the average. Grand Metropolitan, for example, lifted the annual earnings of its best-paid director by 350 per cent, to £176,289, over the six years to the 1985-86 financial year-end.

For Marks and Spencer, the rise was 339 per cent, to £217,016, and for Tesco 279 per cent to £118,461. Other big rises were at Imperial Group (252 per cent to £171,368) and Imperial Chemicals Industries (252 per cent to £312,991).

The survey – based in part on the published account of over 1,200 organisations – identifies 33 companies where the chairman or highest-paid director earned more than £200,000 in salary, fees, bonuses and taxable benefits in the last financial year. The chairman of Burton heads the list with £1,004,000, followed by BOC (£772,800), Dixons (£487,654) and Laporte Industries (£409,908).

Top Management Remuneration in the UK 1986-87 from Monks Publications, Debden Green, Saffron Walden CB11 3LX. Annual subscription £130.

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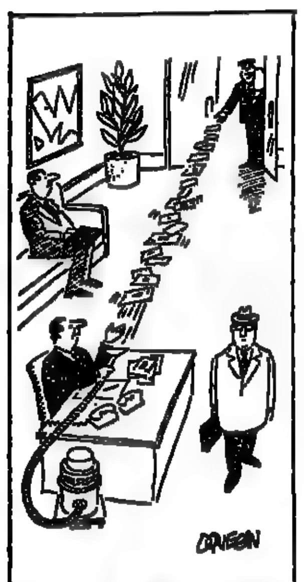

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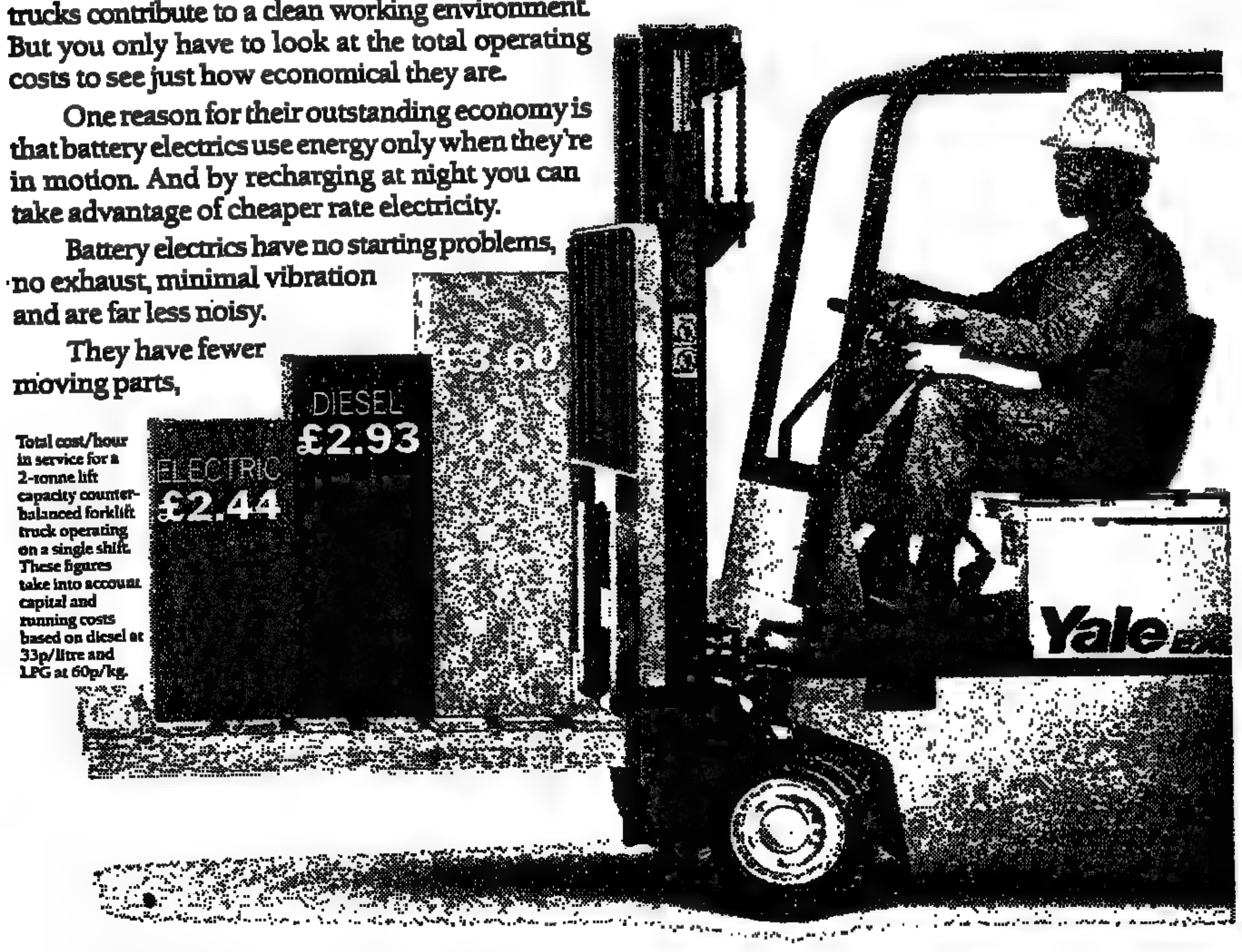

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EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

March 25 1987

Television/Christopher Dunkley

A nice little earner in independent news

This column predicted a couple of years ago that fifties nostalgia would flood our television screens. It took longer than expected but, sure enough, it is upon us now, albeit in an unforeseen form. Instead of dramas and comedies actually set in the fifties, we are seeing modern settings full of people who yearn for the fifties, or simply pretend that they never ended.

Running Wild for instance is an ITV sitcom starring Ray Brooks as a middle aged rocker whose briefest attempt at jiving puts his back out. The series would be more enticing if the writer had not decided it would be terrifically funny to give stereotyped female traits to the male lead, making him flighty, romantic and sentimental, while doing the reverse for the female lead, making Janet Key tough, independent and cynical. So many recent sitcoms have used the same gag that the reverse stereotype has itself become tediously hackneyed.

Tutti Frutti is an altogether better piece of work. This story of an unreconstructed fifties rock group, now teetering on the brink of middle aged senility but still touring the Scottish highlands and islands, began slowly and shows little sign of accelerating. But it grows on you. As with several of the BBC's best comedies (*A Very Peculiar Practice* and *Don't Forget To Write* for example) *Tutti Frutti* is made in 60-minute episodes by the drama department and nobody has gone through it inserting inappropriate explosions of maniacal laughter. The humour is consequently able to emerge from style and character, above all that of Danny McGlone played by the splendid Robbie Coltrane.

There is an interesting and perhaps suspicious synchronicity between the ideas of the BBC's new Director-General, Michael Checkland, for a rationalised news and current affairs department, and the ideas of John Birt, the new Deputy Director-General, for a rationalised news and current affairs journalism. Checkland believes that by combining the BBC's traditionally competitive news and current affairs departments under one roof he can achieve considerable savings, and Birt believes that only by combining hard news information with current affairs explanation can you properly inform the viewer.

There are those who have always maintained that the Birt/Jay thesis on "The bias against understanding" is really a wordy way of saying "Let's make long boring programmes instead of short interesting ones," and Birt's creation, *Weekend World*, sometimes seems to give ominous credence to that belief. But if you consider some of the other current affairs programmes produced under his aegis at LWT—from the one-off *Tomorrowland* to the excellent series *South of Watford*—it can be seen as a canard.

I hear that Margaret Thatcher and John Whitney, Director-General of the IBA, are both interested in the idea of "privatising" ITN. If the Conservatives win the general election it will be no surprise to see steps being taken towards a truly "independent" television news company. Jeremy Isaacs, Chief Executive of Channel 4, is interested too: he reckons that if ITN goes independent its programmes could then count towards the 25 per cent independent quota which the Government wants all British broadcasting organisations to undertake. One of the worries about the idea is whether ITN could sustain the remarkably high quality of its programmes once it found itself obliged to deliver not only news but a dividend.

Up to now ITN has always been co-owned by Britain's 15 regional ITV companies—Thames, Anglia and so on. Each has a monopoly on television commercials within its area. The companies take the revenue from the commercial break within *News At Ten* and they finance the news service. At Downing Street, where broadcasting is currently being put under the microscope in the light of both the Peacock Committee report and the Green Paper on radio, the question has been asked: why should the ITV companies, which already have the privilege of local monopolies, also be the only ones able to profit from ITN?

A pretty simple sum suggests that ITN could indeed, be a "nice little earner" if left to its own devices and allowed to take the revenue from its single commercial break — which might be opposed by the companies since it is a prime slot. On the other hand the companies would presumably stand to gain from their existing interests in ITN much as Fleet Street newspapers gained when the co-operatively owned Reuters was floated in a similar manner.

To date ITN has always been non profit making. Yet the commercial break in *News At 10* attracts prestige advertising — airlines, luxury cars, personal computers — and sells at a premium price of £1,000 a second in the London area. Conservative estimates suggest that annual national revenue from that single spot is at least £75m. Others put it closer to £100m. ITN's current budget is £52m (10 years ago it was only £10m).

The Thatcherite desire to create profit-making concerns is not the only pressure driving towards independence. ITN is beginning to find conflicts of interest between its masters. For many years the flagship programme *News At 10* plus the lunchtime and early evening bulletins were ITN's only output. Now they provide those three programmes plus *Channel 4 News*, and the world news for Superchannel. Moreover they are due to become major programme providers for Britain's DBS (Direct Broadcasting by Satellite) project in 1989 or 1990.

Most, but not all, the ITV companies are involved in Superchannel, and two are involved in DBS which means that 13 are not. So the housekeeping is beginning to resemble that of 15 flat-sharing students with very complicated divisions in the fridge. This problem, too, could be solved if ITN were to become truly independent.

★

Mis-dialling a BBC phone number one day I was greeted by a voice which said: "Pastry training area." It seemed that I had reached some remote corner of the restaurant block at the Wood Lane Television Centre. The BBC would no more dream of putting untrained cooks into its kitchens than it would put untrained operators behind its cameras. Why, then, when it comes to the most crucial, difficult and touchy job of all — and the one most directly in the public gaze — do they continue to throw in beginners and wait to see whether they survive by their their own efforts?

I refer, of course, to programme presenters. Recently *Heart of the Matter* and *Newsnight*, two high prestige series, have taken on new presenters. In each case the viewer feels embarrassed both by them and for them as they make the sort of mistakes which anybody makes when learning a new job. Once in a blue moon a showbiz natural such as Derek Jameson will turn up and prove capable of presenting a lightweight chat show with a minimum of training. But the assumption that any newspaper journalist, teacher or lawyer can be transformed at the drop of a floor manager's finger into a master of television's presentation and interviewing techniques is as ludicrous as assuming that any lorry driver can walk into a studio and take over as a cameraman.

★

The *Diverse Reports* programme on "Perdition" — Jim Allen's play about alleged collaboration between Zionists and Nazis which was banned at the last minute by the Royal Court — was brave and eye opening, even if it was also noisy and full of rancour. The way in which some Jews, including one on this programme, now try to use the Holocaust as a blackmailer's gag to prevent certain Jewish/Zionist matters even being discussed, is not only sad but bordering on the sinister. Following the extracts from the play shown here the next logical step is for television to mount the entire work so that we can all make up our minds for ourselves. If anyone has the guts to present it, it is presumably Jeremy Isaacs. Perhaps he could do it for us as a leaving present before taking over as General Director of The Royal Opera House.

Whiff of nostalgia: Robbie Coltrane in "Tutti Frutti"

Pip Hinton, Louise Gold and Honor Blackman

Nunsense/Fortune

Annalena McAfee

The scene is the auditorium of Mount St Helen's School in Hoboken, New Jersey, a Catholic school run by the Little Sisters of Hoboken who nurse secret ambitions to become the Big Sisters of Manhattan. Right now, however, career plans are shelved as the nuns cope with crisis: an outbreak of botulism has killed 52 of the order and the surviving sisters have to raise funds to bury them, hence the show.

This is clearly no ordinary convent school. Flanking the gothic arches of the stained glass windows that dominate the set are giant icons of two secular saints: James Dean, hand hovering over the fly button of his Levi 501s, and Marilyn Monroe, pouting in corset and fishnet tights. Saints James and Marilyn dwarf the plaster Madonna and Child cowering, as well they might, in a niche near the wings.

The tone is set by the opening number, performed by a veil, wimple and scapular-clad chorus-line.

"Nunsense is habit forming,
That's what people say,
Nuns can have some fun
And be a bit risque."

The sight of a group of nuns doing high-kicks may be passingly amusing for several seconds, or even minutes, but to follow this over two hours with nuns doing the Funky Chicken, the Locomotion, the Twist, pirouettes, a Carmen Miranda routine and a top-hatted tap dance then one ceases to notice the joke and begins to focus more on the shambolic choreography.

Similarly, the sight of nuns talking dirty may be mildly diverting to some, but after a while the impact of words like "crap" and phrases like "screwing around" begin to wane and one starts to yearn for a bit more wit and a bit less cheap wise-cracking.

As Sister Mary Regina, Honor Blackman was most taxed when required to reproduce the effects of amyl nitrate, a drug favoured as a sexual stimulant by some members of New York's homosexual community. She discharged herself honourably but, delivering lines like "every Tom, Dick and Harry is a Mary in our troupe," pointed to the play's key problem—this is camp without conviction. The six nuns should obviously have been played by men. Why peek over the parapet when you can go over the top?

Writer, composer and lyricist Dan Goggins won a 1986 Broadway Outer Critics' Circle Award for *Nunsense* and it is currently running in six US cities. The best bet for Richard Digby Day's London production is a swift transfer to Lourdes.

Three Sisters/Greenwich

Michael Coveney

Michael Frayn's translation was first seen at the Royal Exchange, Manchester, two years ago, and arrives at Greenwich in a new production by Elijah Moshinsky, cast up to the nines (on paper at least) and most handsomely designed by John Bury. But the first impression is one of unevenness, erratic rhythm and peculiar tempi. The show is not a patch on the best of recent revivals, those of Jonathan Miller and Trevor Nunn.

It is not just a matter of the wayward moustache, although the wayward moustache of the boring teacher Kulygin threatened to undermine the whole evening. David Allister realised his "tash" was anticipating its demise by a couple of acts and played the dinner scene frantically pushing it back on to his upper lip and turning upstage to whisper, who knows, "Is there any more glue back there?" or "Does it look as bad as I think it probably does?" His colleagues slapped him on the back and passed the wine bottle, but the right wing of the bushy biplane was flapping incorrigibly in the wind.

The relief with which Mr Allister appeared clean-shaven in the last act was tangible. He was now able to walk like an ordinary human being, stretching his legs and speaking out fearlessly; until, of course, that moment when his forlorn and desperate wife Masha, having just seen off Vershinin and his battery, turns to find his dodgy moustache replaced with the confiscated schoolboy's beard. Perhaps, after all, we are supposed to believe that his original moustache was a sham.

Face hair aside, Mr Allister is an unusual schoolmaster, being briskly, as opposed to flabbily, boring. Much of Mr Moshinsky's casting is perverse without being interesting: old Ferapont is played by an extremely young actor, thus rendering his deafness unlikely and his harking back to the Moscow fire of 1812 simply ridiculous. Martyn Stanbridge's Andrey is not an overweight booby but a clean cut nonentity. And the youngest sister, Irina, is played by Katherine Schlesinger — who trails such TV credits as Anne Frank and *Northanger Abbey* but looks severely over-parted — as an emotional blank with one carefully and conspicuously prepared breakdown in the bedroom scene.

On the credit side, Cathryn Harrison's upstart Natasha is genuinely original, eschewing coarse cliché as she moves to the centre of the Prozorov household, doing her reflex duty in calling for a charitable fund after the fire and asserting her domestic status with a chilling bark at Elizabeth Bradley's ancient, crumbling retainer: "Get up; get out." Peter Sallis is the doctor Chebutykin, suddenly drunk after two years on the wagon, and pitifully resigned to everyone else's tragedy (although Dr Miller's forte was the "delusion of existence" passage). Joanne Whalley is a superb and insolent Masha, the first I've seen who makes something of the oak tree poem (helped by Frayn), terrifying in her assault on the departing Vershinin who, according to Ian Ogilvy, is not the philosophical guru of the piece but a deceitful womaniser who will probably sleep out on his wife's depressive hypochondria from Poland to Siberia.

I always know a Chekhov play has been sold slightly short when a review becomes, like this one, an elaborate cast list. A lot of care has been taken on the music (supervised by Stephen Oliver), with an entire European experience represented from Schubert to Chaikovsky, Franck and Verdi. But it is really all so much dressing. Not so John Bury's design, a brilliant reversible set of hand-painted boards for the bedroom and Andrey's office and, for the garden, soaring planks on which is traced a forest of incipient birch trees complete with roots and/or reflections.

This forest picks up a crucial point made by Frayn in the introduction to his splendid text (Methuen, £3.95): that the past and the future are caught in a shimmeringly unfocused present, the time which all the characters have trouble inhabiting. This sense of the immediacy of the emotional crisis is best conveyed by Sara Kestelman's pained and tragic Olga, Ron Cook's surprisingly un-Lermontovian Solyony—ferociously throwing himself at Irina when drink and abandon have made him forget both himself and his smelly hands—and, especially, Paul Jesson's superb Tusenbach, the evening's best performance, collapsing under the prospective weight of a lifetime's devotion tolerated without hope of reciprocation, let alone sexual ecstasy.

Joanne Whalley, Ian Ogilvy, Katherine Schlesinger and Sara Kestelman

Saleroom/Susan Moore

Turners make the going

Two Turner landscapes were the highlight of yesterday's sale of English watercolours at Christie's. London dealers Agnew's paid £176,000 for an atmospheric view of Arundel Castle and town (unpublished estimate of £100,000-£150,000). The underbidder, a private Japanese collector, however did secure *An Alpine Valley*, probably the Val d'Aosta, with £99,000. Agnew's also bagged Edward Dayes' *Durham Cathedral* for £16,500 (estimate £10,000-£12,000) and a view of Benares by Edward Lear, paying double the estimate, £11,000.

Prices showed a continuation of interest in Lear after Sotheby's sale two weeks ago. An anonymous bidder paid £20,900 for a 1854 pencil, pen, ink and watercolour scene of the Temple *of Isis at Philae*. *The same* could be said of Bonington: a mediocre view across the Seine to the Hotel des Invalides in Paris also exceeded its estimate by selling for £8,500. Of the eight Rowlandsons on offer, the most valued lot was *The Course*, which changed hands at £11,000.

But perhaps the greatest surprise of the sale was the group of exotic birds by Edward Hayes, dating mostly from the 1780s. Estimated at around £500 for each lot, a spoonbill, a stork and a crane soared to £2,640. Ackermann's paid £2,640 for a blue-headed paraqueet accompanied by a creeper and a cape pigeon. The sale totalled £595,950 with 1.2 per cent bought in.

Meanwhile, at Sotheby's, a world record price was found for a rare William and Mary doll. Estimated at £10-£15,000, *the painted* and highly rouged wooden doll, dressed in a cream, green and yellow silk mantua over a linen skirt and embroidered stomacher, fetched an astonishing £67,100. Although rare, it is one of a number of extant dolls made by the same unknown craftsman around 1690. Happily, her new owner, Madame Vierny, is another doll collector who hopes to open a museum in Paris next year: she was the prize exhibit in the doll and toy museum the collector Kay Desmonde established 13 years ago.

The Museum's other great rarity, a Charles I rocking horse believed to be the first ever made, failed to attract a substantial enough bid. Historical interest could not compensate for its crudely carved head and battered condition. The morning session realised £218,933, with 8.4 per cent unsold.

Sotheby's auction on Monday night raised £272,600 for the Courtauld Institute of Art Fund. An appeal was launched in 1984 to raise £5m for the Institute and its collections to move into the north block of Somerset House, £1.5m of which still needs to be found. The *top lot was Studio Wall* by Philip Guston which just topped its bottom estimate by going for £38,000. Waddington paid £34,000 for studies of Women by Willem de Kooning in pencil and crayon. An Andy Warhol acrylic donated to the Fund by the artist before he died made £19,000. All lots were sold.

In contrast, the star items of Phillips sale of Art Nouveau and decorative arts failed to excite bidders. A pair of striking watercolour panels by Walter Crane based on Longfellow's *The Skeleton in Armour* remained unsold at £30,000. Three Gallé glass vases were also bought in. However, £9,900 was paid, nearly three times the estimate, for an Arts and Crafts macassar stationery cabinet made by Ernest Gimson. Spanish dealers Duran bid *heavily, carrying off a number* of bronze figurines including a large bronze and ivory dancer for £22,000 (estimate £7,000-£8,000).

40th Aldeburgh Festival

The 40th Aldeburgh Festival runs from June 12—28, with 51 events and five exhibitions.

Much new music will be heard by composers including Henze, Elliott Carter, Lukas Foss, David Bedford, Alexander Goehr, Robin Holloway, Oliver Knussen and Judith Weir.

Artists taking part include Sir Georg Solti, Julian Bream, Heather Harper, Mieczyslaw Horszowski, Osian Ellis, Gustav Leonhardt and Arleen Auger.

There will also be four performances of Benjamin Britten's *The Rape of Lucretia*. Public booking opens on April 14.

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Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 20–26

Theatre

NETHERLANDS

Amsterdam, Bellevue Theatre. The English-speaking Theatre company presents Barbarians by Barrie Keeffe, a trilogy of short plays tracing the fortunes of three school-leavers, two white and one black (Tue to Thur). (247248).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other chaff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meticulous and palpable hit. (839 2244, CC 379 6131/240 7200).

The House of Bernarda Alba (Globe): Lorca's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteran Spanish actress/director, has drilled a high-calibre cast led by Glenda Jackson and Joan Plowright into a near-authentic portrayal of steam frustration in an all-female household oppressed by both traditional catholicism and the peasant class system. Ultimately it's all a bit British, but the company provides a roll-call of some of the best actresses around – all eclipsed by the ineffably touching Julie Legrand. (437 1592).

TOKYO

Kabuki (Kabuki-za). A dance-drama, Kasane, is the most appealing in the matinee programme. The gory tale of an encounter with the skull of a murdered man (father of the heroine, Kasane). When the spirit of the dead man possesses the daughter, the resultant grotesque disfigurement takes place with full relish – though beautified by Kabuki stylisation. More blood and gore in the evening programme. Soga Moyo Tatsuhi no Goshozome includes the torture scene in which the jealous wife of a feudal lord beats his lover to death. Stars Tamasaburo and Takao appear in both. Excellent English earphone guide available. Kabuki-za. Ginza. (541 3131).

Takarazuka All-Girls' Revue: The Moon Troupe in Nostalgia and Jeff and Roland. This Takarazuka phenomenon, the antithesis of Kabuki with even the male roles played by girls, but with typical Japanese innocence and earnestness, is a must for visitors. It offers another insight into the incongruous mosaic of Japanese culture. Highly improbable plots are more than compensated for by spectacular, skilled stagings and huge casts. Detailed English synopses availabe. Afternoon and evening performances. Takarazuka Theatre near Ginza and main hotels. (591 1711).

Noh: Most performances take place at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books A Guide to Noh and Guide to Kyogen in most hotel bookstores and at some theatre give synopses of plots.

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture of feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

She Always Said, Pablo (Goodman): The company's associate director, Frank Galati, created this pastiche of music by Virgil Thomson and Igor Stravinsky with words by Gertrude Stein and visuals by Pablo Picasso. Performed by 11 actors, the work features Picasso's Minotaur as well as Picasso, Stein and Alice B. Toklas. Ends April 4 (443 3800)

WASHINGTON

Citizen Tom Paine (Eisenhower): Richard Thomas stars in popular historian Howard Fast's look at the Thetford-born American radical's rise and fall to obscurity, in between the fame brought by Common Sense. Ends April 12. Kennedy Center (254 3670).

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Brandt – great man's sad exit

A GERMAN adage well describes the plotters who enforced the sudden exit of Mr Willy Brandt as leader of the West German Social Democratic Party. They belaboured the sack, it runs, but meant the donkey. The row that caused the former Chancellor to relinquish party office was only ostensibly about a non-party member whom he had proposed as party spokesman. In reality it was the climax to long seething discontent with a great man who had outlived his usefulness.

Mr Brandt's claim to fame is based primarily on the Ostpolitik of his spell as Foreign Minister and subsequently Chancellor from 1969 to 1974. It created a modus vivendi between Bonn, East Berlin and the rest of eastern Europe and was a key element in the East-West detente of those days. The negative judgment rests on the failure of the party which he continued to lead after 1974 to find unity and a new sense of purpose in a world that social democratic reforms themselves had helped to create. It is a predicament shared with social democratic and socialist parties in many countries.

Important though it was, Ostpolitik does not encompass Mr Brandt's positive contributions to the history of Germany and of Europe. As a forceful mayor of West Berlin he more than once controlled potentially dangerous outbursts of passion in his city, most significantly in 1961 when the East Germans built the wall separating it from East Berlin. It was a moment when intemperate action could have endangered peace.

Widespread reform

When, as Chancellor, Mr Brandt went down on his knees at Auschwitz, the scene of nightmarish Nazi cruelties, he set a signal which marked a milestone on West Germany's return to its proper place in the comity of nations.

At home his chancellorship was a period of widespread reform and of completing the welfare state. It fired the imagination of the young and of a normally unsocialist centre but it also bore in itself the seeds of its own decay. Not only did the ever-expanding demands of welfare go beyond the bounds of what was financially sustainable. More important, the West German reformers—like so many of their fellows elsewhere and in other periods of history—ran out of steam when their reforms had been largely achieved. The joke that Mr Brandt's Social Democratic successor as Chancellor, Mr Helmut Schmidt, was the best chancellor the Christian Democrats could ask for, neatly illustrates the dilemma.

The closest parallel to the Brandt story is that of Dr Bruno Kreisky, the former socialist Austrian Chancellor who led a successful reformist government but then lost direction and, last year, surrendered the honorary chairmanship of his party after finding himself at loggerheads with the rest of the leadership.

In France things went slightly differently. But there, too, after expending its first reformist ardour, the Mitterrand regime changed course and applied economic prescriptions that might equally have come from a bourgeois party. The electorate read the signs and put the non-socialists back into power.

Limited resources

In the new phase of more limited resources and of long fought for reforms accomplished, Mr Brandt—and others in West Germany and elsewhere—failed to produce a new agenda to restore dynamism to his party. His flirtation with the ecologists and the peace movement, though an attempt to bring malcontents back into the mainstream, exposed his party to the danger of association with ideas endangering his country's security and industrial future. Moreover, it infuriated the traditionalist Social Democratic right which became the main force behind his ouster.

The nomination of Dr Hans-Jochen Vogel as Mr Brandt's successor might suggest that the traditionalists will now assert themselves. But the acquiescence of the left under Mr Oskar Lafontaine in the attack on Mr Brandt suggests that the battle for the party's soul has barely been joined. For the time being West Germany, and some other countries, will have a divided and ineffectual left.

Bank conflicts unresolved

SIR GORDON BORRIE, the Director General of Fair Trading, may seem a rather unlikely ally for Britain's clearing banks and building societies. But they will undoubtedly seek to draw maximum propaganda advantage from his verdict on the Securities and Investments Board's draft rule book. In essence, Sir Gordon has told Trade and Industry Secretary, Mr Paul Channon, that the rules on "polarisation" will make for a less efficient market. That is to say, he believes that there will be a reduction in competition if the SIB continues to insist that people who sell insurance must choose between selling their own products exclusively, or selling everyone else's products except their own to ensure genuinely independent advice for the buyer.

The banks would be unwise, however, to treat this as a substantial victory. Under the Financial Services Act the Director General's job is to pronounce only on the specific issue of competition. It is for Mr Channon to decide, first, whether Sir Gordon is right; and second, whether some reduction in competition is justified in the interests of investor protection. As Sir Gordon himself remarked yesterday, it would have been remarkable if a comprehensive overhaul of the rules governing the investment business had not had some implications for competition. And there is good reason to question whether polarisation will have as damaging an effect on competition as he claims.

Lack of faith

The banks and building societies have argued that if their own managers are debarred from giving advice on other companies' life assurance products, a well established source of local advice will cease to be available to the public, especially in rural areas. Moreover, they are unlikely to abuse the potential conflicts of interest, the bankers claim, because the banks have too much at stake in the long term relationship with the customer.

These arguments are accepted by the Director General. Yet they seem to imply a marked lack of faith in market forces. There is fierce competition in the financial advisory business and it is not confined to banks, building societies and insurance salesmen. Accountants, solicitors and other independent intermediaries—who are well represented in the country—will all be tempted to step into the banks' shoes if the banks chose to promote their own products exclusively, just as long as the business is profitable, which it shows every sign of being.

In a climate of deregulation, there will also be increasing pressure on banks to adopt hard selling techniques in order to generate fee income as their basic business of borrowing and lending becomes less profitable. It will be all the more intense where bank and building society managers are rewarded in relation to their performance.

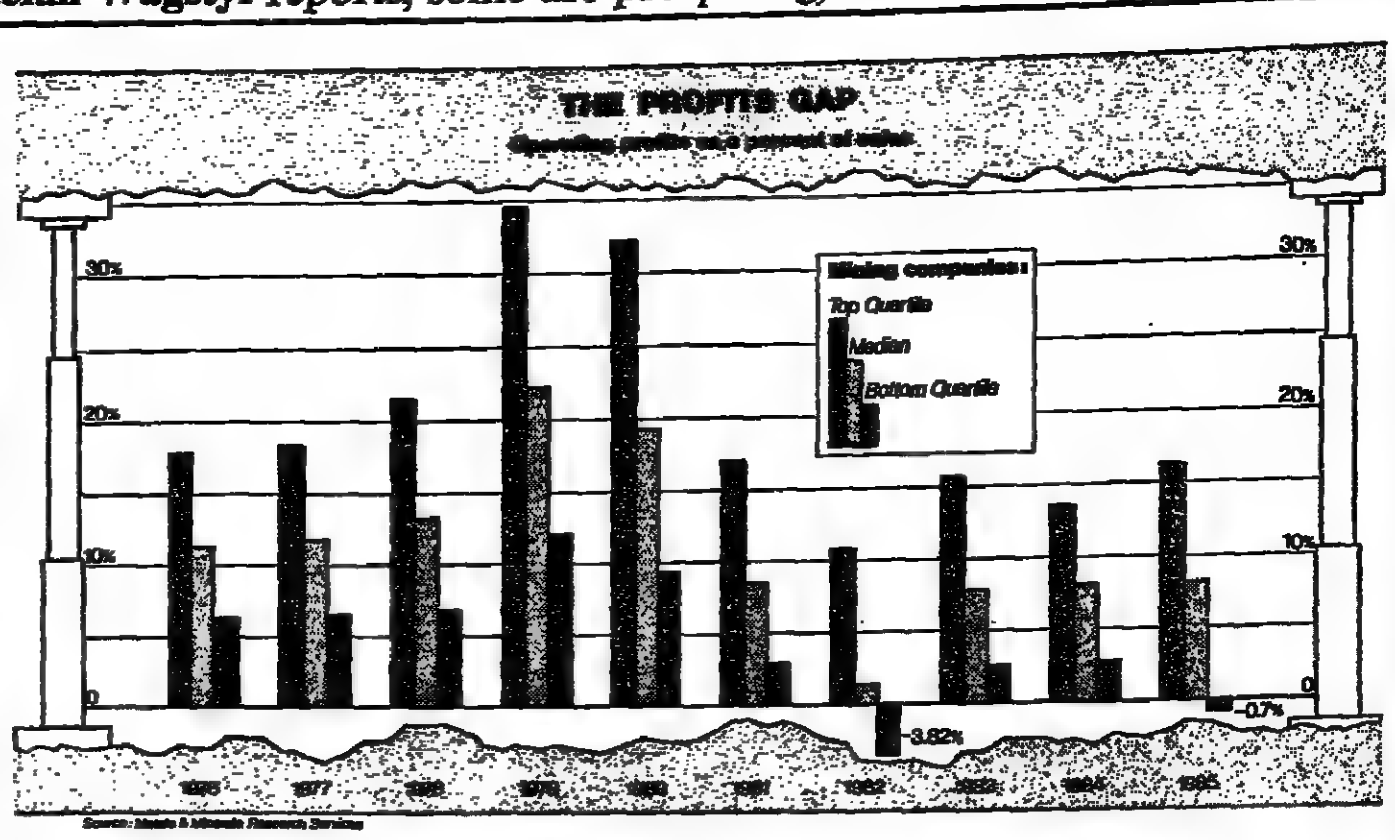
Under review

The loss of advice whose impartiality is open to question scarcely amounts to a significant loss of competition. The real question is why the SIB has not chosen to regulate this potential conflict of interest through a policy of disclosure. Sir Gordon Borrie provides the answer implicitly, in stating that he wants to keep under review those rules which allow insurance salesmen not to reveal their commissions and insurance companies not to disclose the level of expenses attributable to their policies. Here is the real constraint on competition and choice.

Where Sir Gordon may have a point is in suggesting that polarisation will add to the competitive edge of the life assurance companies, whose success will depend as much on the size of their sales force as on the quality of the products they sell. Yet this would be less of a problem if the SIB had taken a firmer stand on the more important issues relating to disclosure of commissions and expenses.

To that extent Sir Kenneth Berrill, chairman of the SIB, is fighting the wrong battle. But in the absence of adequate disclosure the Secretary of State should acknowledge that a strict polarisation of company representatives and independent intermediaries is probably essential. Without that endorsement, the SIB's credibility will be, in addition, seriously damaged.

Plunging commodity prices have had dramatic effects on mining companies. Now Stefan Wagstyl reports, some are prospering, others are going out of business



Mining comes back from the dead

THE DAY of reckoning is fast approaching for the world's recession-hit mining industry.

In the greatest rationalisation since the Second World War, an unprecedented gap has opened up between the performance of the strongest and the weakest companies.

After six years of cuts and closures, the more successful groups are digging their way towards financial recovery. They are reporting remarkable profit increases — despite the fact that metal prices have stayed near their lowest levels since they collapsed in 1980-81.

But the weaker groups are losing ground. Burdened by high-cost operations and heavy borrowings they are falling further and further behind.

The strong are beginning to take advantage of their power. From the high ground of the battered landscape of base metal mining, they are picking off cut-price assets sold by companies which have survived the 1980s less well, or else have pulled out altogether.

Anaconda, once one of the greatest and most adventurous of the US miners which was acquired by Atlantic Richfield, has been taken apart, its mines closed down or sold off. Late last year, Cominco, the 80-year-old Canadian group, lost its managerial independence to a consortium led by Teck, a fast-expanding Vancouver company. It may only be a matter of time before other groups go the same way.

Mr John Walton, president and chief executive officer of Placer Development, the Canadian gold mining company, one of the most successful of the 1980s, says: "The mining world as we know it has passed into history. It will not come back."

The full impact of this consolidation of power is unlikely to become clear for some time—not until metal prices recover, possibly in the 1990s.

The extent of the recovery in the industry has surprised many observers, especially those who virtually left it for dead three years ago. Morgan Grenfell Securities, the London stockbroker, estimates that net profits of the world's 32 largest groups rose 34 per cent last year and should rise a further 60 per cent in 1987.

But the 1987 forecast of aggregate net profit, at $3.7bn is only just over half the $6bn or $7bn recorded in 1980-81, the peak of the commodities boom. The International Monetary Fund's index of metal prices now stands at some 40 per cent below its average level for 1980.

More important than the aggregate figure is the extent to which the best have out-performed the worst. According to Metals and Minerals Research Services, a London company which has surveyed the financial results of 80 groups, the average return on capital of the industry in 1985 was just over 8 per cent, compared with 20 per cent in 1980. But while the minimum rate for the top 20 companies had fallen by just over half to 13 per cent, the best rate for the bottom 20 had fallen by four-fifths to 3 per cent. The widening gap in operating margins in the industry tells the same story.

The MMRS figures underline the importance of three key differences among base metal producers—the effectiveness of cost-cutting programmes; exposure to debt; and the extent of diversification.

The industry's difficulties stemmed directly from over-hasty investment in new capacity in the 1970s, prompted by inflation-boosted commodity prices and by expectations of future shortages of raw materials. Swelling profits allowed managers to sanction pay rises and manning levels which later proved hard to claw back.

Several groups made matters worse for themselves by borrowing heavily to build a new generation of mines only to be caught out by the conjunction of low prices and high real interest rates in the 1980s.

After some hesitation, the industry cut costs to the core, particularly in the US where a rising dollar in the early 1980s compounded the miners' hardships. Phelps Dodge, the copper company, led the way, cutting the workforce in its operations in the Western US by two-thirds to 3,500, closing three out of four smelters and one out of three mines. At the same time, output at the remaining sites was boosted to record levels.

Phelps endured a bitter strike in 1983 to scrap the industry's traditional system of inflation-linked pay rises.

The Phelps Dodge campaign was repeated in boardrooms and mining camps across the US, with varying degrees of success. Canadian and Australian groups were generally less ruthless, partly because the depreciation of their domestic currencies gave them more breathing space, partly because of stricter labour laws (especially in Australia) and partly because state aid was sometimes available to keep plants open.

Nevertheless, there have been some stunning productivity improvements, resulting from more efficient (that is more flexible) work practices and from mechanisation. Inco, the Canadian nickel group, has cut its workforce by more than a third to 20,000 whilst continuing to expand output.

In Australia, MIM Holdings is getting record output from its multi-metal complex at Mount Isa, Queensland. Some 4,600 workers are shifting 10m tonnes of ore a year, when 5,700 moved only 4m tonnes a few years ago.

However, low-cost production cannot on its own guarantee prosperity, if profits are consumed in repaying borrowings. Inco barely broke even last year despite running one of the world's most efficient mines at Sudbury, Ontario. Interest payments on debts of just under $1bn all but eliminated profit.

Another difference between the weak and the strong has been success in diversification. By and large, mining companies which have invested profitably outside mining are those which have done so gradually over a long period. One example is BHP, the Australian steel, energy and minerals group. Another is Metallgesellschaft of West Germany which has diversified from metal production to trading, consulting and engineering. The UK's Rio Tinto-Zinc, too, has built up interests outside metals in energy, engineering and chemicals.

The strong are picking off cut-price assets from companies which have survived the 1980s less well

But large-scale diversification is risky. Mining companies have often lacked the skills to manage non-mining businesses—Consolidated Gold Fields lost money building industrial interests in the US which it later sold off. Even in other extractive industries—in coal, oil and gas—metal mining companies have made mistakes, particularly in timing their investments. MIM carries the heavy cost of an investment in Queensland coal made before the fall in energy prices.

Base metals companies seeking to diversify have had one lucrative alternative in the 1980s—gold. In some cases, only the rapid development of new gold mines has saved major groups from serious financial difficulties.

The bankers of the hard-pressed Canadian company Noranda might well have been less patient if the copper, zinc and timber group had not secured a stake in Hemlo, the biggest North American gold discovery this century.

In the rush for gold, some groups have almost turned their backs on investment in base metals. But gold has fuelled the rapid expansion of a new generation of gold mining companies, some of which are looking to channel investment into base metals — among them Teck and Australia's Pancontinental Mining. With a little encouragement from base metal prices, they could be joined by more.

Established base metal companies are also continuing to invest, albeit selectively. Even when times are tough, producers must ensure that they control sufficient ore reserves to keep going for ten to 20 years.

For example, RTZ, which has made great play of developing its industrial interests, has not neglected base metals. It has bought stakes in two of the most important undeveloped copper deposits — Escondida in Chile and Neves Corvo in Portugal. Base metals accounted for almost £400m of the £750m the group and its main associates spent last year on capital schemes.

Meanwhile, BHP announced earlier this year that it was going ahead with a new lead-zinc mine, albeit a modest one, in northern Western Australia.

In this context it is not surprising that strong groups are on the look-out for the cut-price second-hand assets which are up for sale in the industry, particularly in North America. When Kennecott, the copper producer owned by Sohio, BP's US associate, put its modernised Arizona copper mines up for sale last year it found willing buyers in Phelps Dodge and Asarco.

The change of control at Cominco is a much larger move in the direction of consolidation. Canadian Pacific, the debt-laden conglomerate which was the mining group's largest shareholder, had allowed its management a fairly free hand. But it lost patience after Cominco's debts spiralled to over C$1bn in a succession of loss-making years. Teck and its partners Metallgesellschaft and MIM, both significant shareholders in Teck, paid C$276m to buy a 31 per cent stake in Cominco.

The deal made the partners the world's largest combined producers of lead and zinc. They also brought together control of the best of the undeveloped deposits — Cominco's Red Dog, in Alaska, MIM's Hilton, which is near Mount Isa, and Hellyer, in Tasmania, owned by Cominco's Australian associate Aberfoyle.

When Dr Norman Keevil Junior, the Teck chairman, took his seat as chairman of Cominco, it showed how vulnerable a poorly-performing group might be and the opportunities which might lie ahead for aggressive companies.

Mr Heinz Schimmelbusch, a member of Metallgesellschaft's executive board, says: "We have to look at all the options for restructuring, including the inter-company and international ones. It is no use telling investors we have fired the PR department."

Metal company profits will continue to be greatly influenced by metal prices — it cannot be otherwise in a commodity market. And many mining companies do not expect prices to recover until the 1990s, as slow industrial growth eventually brings consumption closer to production capacity.

It seems highly unlikely that the industry will be rescued from recession by a sudden rise in prices — a long drawn-out battle is in prospect for companies, strong and weak. Mr Schimmelbusch says: "I would say the metal industry will be back in shape in 1989-90 . . . By the 1990s, a generation change wil be in place. Not every producer who is a producer today will be a producer then."

Men and Matters

Hong Kong plan grounded

One of the first efforts by Sir David Wilson, who arrives in Hong Kong in two weeks' time as the territory's new governor, to steer public opinion fell embarrassingly flat yesterday. A combination of mechanical failure and bad weather ruined plans to give local pressmen a helicopter tour of the Chinese border.

The idea had been to fly the journalists to the border, where the Coldstream Guards are currently performing patrol duties, for a briefing from David Jeaffreson, Hong Kong's security secretary. The purpose was also to draw attention to a recent spurt in attempted border crossings by would-be illegal immigrants from China.

On an initiative that apparently came from London, Jeaffreson was briefed to rattle a sabre in China's direction for not doing enough to curb illegal migration. And to signal loud and clear that rumours being circulated by racketeers, that the incoming governor would offer an amnesty to illegal immigrants, were groundless.

Unfortunately, a briefing that should have taken place on the banks of the Shenzhen river (which separates the Chinese special economic zone of that name from Hong Kong) with a background of soldiers in combat gear for colour, had, instead, to be staged in Hong Kong city.

One helicopter broke down, and a second was grounded because of poor weather conditions. After a long wait at the take-off pad the trip was called off and Jeaffreson briefed the journalists on the windy harbour waterfront.

Over 3,600 illegal immigrants have been snared at the border since the start of this year, it appears. That is twice the flow during the first three months of last year. But it is still a small number compared with the 1,000 a day who used to flood into the territory in the late 1970s.

Jeaffreson blames the increase on the mild winter weather, and on rumours being circulated by "snakeheads" — racketeers who arrange to courier illegal immigrants for a fee. The story has been spread that an amnesty is in prospect.

For the past three years China and Britain have collaborated closely to curb migration into Hong Kong. Local authorities in the Chinese districts adjoining Hong Kong insist that the villages are now earning such good livings that they are no longer interested in migration. They blame the problem upon migrant workers from China's inland provinces who came down to the coast to work, and are then tempted by the good life beyond.

"Just make sure that Kinnock's luggage isn't diverted to the Contras by mistake"

Hot words

The euphemisms game is winning supporters on both sides of the Atlantic.

I wrote last week about British businessman Bob Holder whose new book catalogues 8,000 examples. Among the smart set it is being considered great fun to think up new ones —preferably as ridiculous as can be contrived.

A competition is running in the US at the moment to find the best euphemism for the never-popular nuclear waste dump. The Washington paper, Energy Daily, which started the fun, says it has been deluged with alternatives to the official description—"engineered waste disposal facility."

Entries range from the gentle, "rest home for fatigued fuel," to the snappy "nunk repo"—a contraction of nuclear junk repository.

The Atomic Industrial Forum, trade association for the US nuclear industry, tried a more subtle line of persuasion with its message, "stop calling this place a dump."

The entry that earned the champagne prize, however, is our old friend SDI. In the nuclear waste context it would stand for "scissile debris inearthment."

It opens up a delicious prospect of legislators not knowing precisely which SDI they are talking about. The press is expected to compound the confusion by starting to talk about a strategic dump initiative — even Waste Wars.

Snap claim

The Russian Compensation Fund which will consider claims from bond holders until the end of this month has had 12,000 requests for application forms so far, and nearly 3,000 forms have been returned.

One applicant is clearly from an accident-prone family, I hear from Price Waterhouse, the accountants administering the fund. He reports that his only surviving relative associated with the original claim was eaten by a crocodile, while the documents were destroyed in a tornado.

Another claimant made it by the skin of his teeth—having been born on a sledge while his family was fleeing from Russia.

Happy return

The ITV companies were deeply shocked when Robert Phillis, managing director of Central Independent Television, accepted a £150,000 a year offer from Michael Green, the chairman of Carlton Communications, the fast-moving television services company.

But Phillis was not away from Central for long. He attended the January board meeting of the Midlands ITV company. There was no meeting in February.

Tomorrow a recommendation will go before the board that Phillis should once again become a Central director. He is unlikely to be rejected, and expects to be working for the company again very shortly—having missed just one board meeting.

The reason for the happy return is that Green has asked Phillis, who is his new group managing director at Carlton, to represent him on the Central board following Carlton's purchase of a 20 per cent stake in Central from Ladbroke.

Washed up

When the Lloyd's Register of Shipping annual report was presented at a London press conference yesterday by chairman Roderick MacLeod the usual reference was made to goods and wreckage under the traditional categories—flotsam, jetsam, and lagan.

A loud whisper was heard from a young reporter: "Are they a firm of solicitors.

Observer

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Mozambique: disaster fatigue

MAGANJA da Costa, a pretty, Portuguese-built district capital in Mozambique's Zambezia province, is typical of a country emerging as Africa's latest disaster story.

The thousands of war refugees, whose huts are clustered on newly-planted smallholdings around the town are dressed in sacks or rags. They have virtually no food except the coconuts and fruit they can gather in the bush. Landmines and ambushes, laid by right-wing rebels of the *Mozambique National Resistance* (MNR), are a constant danger to those venturing out of town to forage for food, despite the efforts of a handful of soldiers and barefoot militiamen.

Hungry and half-naked, these people are probably more fortunate than Mozambicans in more remote, rebel-occupied villages whose fate is unknown. The Government in Maputo and international aid agencies are aware of the plight of Maganja. The town is accessible by air and by sea, and money, food and clothing are available to help them.

Few things are easy in Mozambique which, perhaps more than any other African country, demonstrates how difficult it is to operate in a society where war, economic decay and bureaucratic mismanagement are so entrenched that the modern economy has almost ceased to exist.

The task of rebuilding Mozambique is daunting. Of the population of 14.4m, about 3.8m are thought to be at risk from hunger caused by war and drought, and 250,000 of those have taken refuge in neighbouring countries. Nearly half the population is under 15 and the UN puts the mortality rate of infants and young children at one in three.

"An expanded, co-ordinated programme of emergency assistance is urgently required," UN Secretary-General Javier Perez de Cuellar said in a special appeal for Mozambique at the end of last month.

Since Mozambique's Marxist Government took over from the departing Portuguese colonists in 1975, the country has suffered a catastrophic sequence, including the exodus of Portuguese skilled workers, destabilisation by white Rhodesia and then South Africa, and a largely drought-induced famine which killed an estimated 100,000 people in the early 1980s.

In the second half of last year, the war in the north of the country suddenly became worse with the influx of hundreds of MNR guerrillas from Malawi, although Government troops — helped by Zimbabweans, Tanzanians and Soviet advisors — have regained control of the coastline and parts of the Zambezi valley.

Zambezia, Mozambique's most fertile and populous province, remains in desperate straits.

Manganja da Costa, many of its buildings charred or pockmarked by the rebel attacks of previous year, lies 100 kms north of the provincial capital, Quelimane, but is inaccessible by road because of landmines and sabotaged bridges. The only means of transport is an old tractor (with a leaking radiator) and its trailer. It is used to distribute what food aid there is—and serves as the official car of the district administrator.

Going shopping and telephoning the outside world are things of the past. Electricity is no more than a memory, for the generator has run out of fuel. The clinic is desperately short of drugs and food to treat the severe malnutrition and disease which decimates the population. It has no soap and no sheets.

Relief, in the form of more than 300 tonnes of maize on a ship, did approach Maganja recently, but the ship left after waiting four days with only a tenth of the cargo unloaded. Aid workers blamed inefficient *local officials*. Local officials blamed intractable transport problems. Maganja is 35 kms from the sea and the sacks of maize have to be taken ashore in a small boat, towed 15 kms to a river by a borrowed tractor, ferried in canoes up the river and finally transferred to Maganja's ageing vehicle for the final few kilometres into town.

At Quelimane's rundown port on the inappropriately named River of Good Omens, the unloading of food aid—maize, beans and oil—proceeds at a lethargic pace. Some of the *food is pilfered* by workers and government officials, or begged by the officers of military gunboats who have no food of their own.

Nearby seven new Volvo lorries, donated by Canada, have been standing idle because of problems with their papers. With only two aid trucks operational in the whole of Zambezia, they are desperately needed but have taken eight months to arrive, to the frustration of aid workers who accuse the UN of dragging its heels.

In the hospital in Quelimane, in the ward next to those who have been maimed by bullets and mines, pitifully thin, 18-month-old Marcelino Jose is on a drip. He is suffering from the worst stage of malnutrition, his flesh torn and swollen from lack of vitamins and protein. Children defecate in the yard right outside the wards, well-fed rats scurry through the open kitchen. Water has to be fetched from a nearby street pump because the city's water system has failed.

Mozambique's problems are not new, but they are becoming more serious. Already there have been isolated reports of starvation, although "it's not Ethiopia" is the truism on everyone's lips in Maputo.

The victims of the war, says Sheila Gothmann of the American aid organisation CARE, which is helping the Government co-ordinate its relief efforts are *"malnourished, widowed,* raped, mutilated, terrorised and shocked. The children are the worst.

"A Mozambican can survive on eating roots and berries, but at what level of existence? The people have lost their dignity. They have lost their land. They have no clothes, no cooking pots, no soap. They wear tree bark, they go nude, especially in the north. Children don't go to school because they have no clothes. Women hide in their homes because they have nothing to cover themselves with."

Such a disastrous situation requires a co-ordinated response from the Mozambique Government, donor nations and the more than 30 aid organisations working in the country, but co-operation is not always forthcoming. Donors, while accepting that there is a shortage of skilled managers in Mozambique, complain bitterly about the snail's pace at which official business is often conducted. Vehicles may take months to register before they can be used, planes for airlifts of aid have sometimes been mysteriously withdrawn at the last moment.

Theft of aid is treated more leniently in a country where *abject poverty is the norm.* "You can't expect a man without shoes to unload shoes all day and not end up with a couple of pairs himself," says the head of one aid organisation.

The difficulties of distributing aid in Mozambique can hardly be overestimated. Information on population and nutrition is scarce, and in the field it is hard for the inexperienced to judge the difference between an acute crisis and the permanent crisis which dogs the life of Africa's poor.

Even when there are local surpluses of food, it often fails to reach the needy because the farmers have no incentive to exchange their produce. In remote areas money is worthless because there is nothing to buy. Helped by aid agencies, the Government is starting to fly in consumer products, such as soap, to exchange for food which can then be distributed elsewhere.

But Mozambique's marketable surplus of maize and rice is expected to be only 60,000 *tonnes or less for the 1986* season, the lowest for more than 30 years. The country needs to receive 655,000 tonnes of cereals in 1987, of which just over half has already been pledged, according to the UN. It estimates that Mozambique needs a total of more than $244m (£152.5m) in urgent assistance this year.

Food, of course, is not the only concern. With the Government's vaccination programme hampered by war and shortages, disease—including tuberculosis, measles, bilharzia, polio, malaria and venereal disease—is taking its toll on a population weakened by hunger.

There is a donors' conference for Mozambique in Geneva at the end of the month. The citizens and governments of the west—confronted with *haunting* television pictures of the hungry and appeals from group such as Oxfam and Save the Children—will doubtless give some of their plentiful resources to Mozambique.

A few aid workers are pessimistic. "Our donors are tired of disasters and funding is right down this year," said one American. "It is just another small black child with a swollen stomach lying in the dust with flies on her face."

The west could fly dozens of technical experts into Mozambique, provide millions of dollars in aid and ease the emergency. But the departure of the experts would probably leave Mozambique with exactly the same problems as before. It is a dilemma which preoccupies people like Mr Richard Morgan of Unicef.

"The problem is that it is both an acute and a structural emergency," he says. "We do not see the underlying situation being better in two or three years time. If the war ended tomorrow, it would probably take five to 10 years to get back to the position in 1980." But the cruel 10-year-old war in the countryside, fought with guns, machetes and clubs, does not seem about to end.

Victor Mallet

Employee share ownership

An ESOPs moral for the Third World

By J. William Middendorf II

PRIVATISATION OF the Saint-Gobain glass company at the end of last year marked a watershed for France. One noteworthy aspect of this initial *privatisation under the Chirac* administration was the acquisition by Saint-Gobain employees of 2.8m shares in their denationalised company.

The Government has set a goal of 10 per cent employee ownership in its denationalised companies as a way of building up employee commitment to the country's industries. With the same goal, the British Government has sold large numbers of shares to employees of privatised companies. More than 430,000 UK employees, or 87 per cent of total employees in privatised concerns, have acquired shares in their own companies.

In 1979 only 30 UK companies had worker-ownership; now over 1,000 companies share stock ownership with their employees. The implication of this process has been aptly summarised by Mr John Butcher, UK Undersecretary for Industry. "It is removing the old distinction between owners and workers. I believe it has made management and workers more dedicated to the task of succeeding."

Employee stock ownership plans (ESOPs) are also helping transform the beleaguered US manufacturing sector. In the US almost 7,000 companies have started in recent years to share ownership with 10m employees.

When the Weirton Steel Company, now one of the largest ESOP companies in the US, faced closure in 1982, the management and non-management employees decided to join forces. The workers and union leaders agreed to a cost-cutting overhaul in their labour agreement. The projected savings enabled Weirton employees to attract enough credit to buy their company at a fair price, with the buyout loan payable entirely from future profits. The result has been one of most profitable steel companies in the US in spite of the global steel crisis.

So far, ESOPs have had their largest impact in the industrialised countries, but their greatest potential benefit may be in the heavily indebted developing world. Mindful of this untapped potential, the US Congress called, in early 1985, for a presidential task force to develop a plan for the expanded use of employee stock ownership plans in US development efforts in Central America and the Caribbean.

I was subsequently appointed by President Reagan to chair the Presidential Task Force on "Project Economic Justice." The task force will report to the President soon. The implications of the report, which strongly endorses expanded ownership, reach far beyond Central America and the Caribbean, and have equal validity in most of the non-Communist world.

First and foremost, the task force concluded that ESOPs promote greater economic justice by breaking through restricted ownership patterns that have created rich elites and disaffected masses in the less developed countries (LDCs). Equally important, they accomplish this laudable goal by strengthening respect for private property and individual responsibility — something we take for granted in the developed world but which is systematically flaunted in the LDCs.

The growth of ESOPs directly refutes Marxist claims that capitalism causes ownership to be concentrated among a small wealthy class. President Reagan summed up the political significance of ESOPs in 1975 when he asked: "Could there be a better answer to Karl Marx than millions of workers individually sharing the ownership of the means of production?"

In addition to putting free enterprise countries on the *philosophical high ground*, the task force pointed out how employee ownership can mesh with privatisation efforts, especially in Latin America where in a majority of countries the state owns over 50 per cent of the means of production.

The resulting deficits from these often bloated parastatals, which are not accountable to their owners to make a profit, have caused staggering inflation rates as governments run the printing presses to pay for them.

Belatedly, most leaders in the region have recognised that privatisation is an essential step for economic health. However, the state-owned sector in Latin America has grown so large, relative to the domestically owned pool of private capital, that the simple sale of state enterprises is difficult. Attracting foreign capital for this purpose will also be especially tough in the face of the massive flight of capital — up to $130bn (£77.6bn) over the last decade or so.

One promising new technique to bring in foreign capital is the "debt-for-equity swap," which has already reduced LDC debt by more than $3bn. The potential for these innovative swaps has been hindered by the reluctance of many nations to allow extensive ownership of domestic companies by foreigners — an impediment that could be eliminated by including an ESOP as part of the debt-for-equity swap.

Through this variation, parastatals are sold to their employees who repay the lender over time. This ESOP variation has the political advantage of producing widespread ownership by local employees in the privatised parastatal.

Another advantage of this variation is that it provides an opportunity for LDC workers with little or no savings to become equity owners and to determine their own and the privatised company's success through hard work. The ESOP, utilising earnings of the privatised company, can pay for the worker equity in a set period on terms reflecting the value of the debt exchanged for that equity.

Every day it is becoming clearer that the path to economic prosperity must be built on individual initiative. Our task force concluded that ESOPs are one effective tool for promoting that kind of initiative.

When the wealth of a widespread group of individuals increases, the well-being of nations increases. Even the Soviet Union seems to be learning this, as shown by its new incentives for individual productivity.

The author is US representative to the European Communities and chairman of the Presidential Task Force on Project Economic Justice.

Letters to the Editor

It hasn't stopped raining

From Dr C. Anderson

Sir, — I read Saturday's leading article "It's stopped raining" with amazement and not a little annoyance. It may have stopped raining in central London and in Surrey there may be "sunny intervals," but up here in Leeds the barometer has gone round, as the late Gillie Potter used to say, to "permanently wet and windy." Viewed from a pathology department in a provincial teaching hospital, the outlook is one of unrelieved gloom. Against a backdrop of urban dereliction we struggle to cope in an underfunded health service while the university staggers under the impact of the latest reduction in funding. The result of spreading resources thinner and thinner is the relative decline in health care standards compared with what they might and ought to be. Hours of time are expended on planning retrenchment and budgeting for degraded services which please no one.

In the university the need for stringent economy means that vital appointments are not made and even professorial chairs remain unfilled for lengthy periods. This leads to a serious lowering of morale among the junior staff, who are our hope for the future. Only this week a very able young member of our department told me how deeply depressed he is and said: "I just don't see any future for experimental pathology in the country." A brilliant young lady member of staff said that if the Government is re-elected she will emigrate as the effect on higher education will be so dreadful. One might be able to change these attitudes and quell such fears were there an indication that things might improve, however slowly, over the next five years. But there is no such evidence, and all the omens are that things will get worse.

You say "it is possible to identify the outstanding problems and seek to tackle them." Well, for a start, the Government could begin by putting back the £1.6bn needed to bring the health service up to the relative position it was in during 1978. You state that "the relative neglect of education will take a long time to remedy." Just so, but the Government does not appear to understand just how much hard effort and hard cash will be needed. A distinguished professor of mathematics told me that in Leeds, with a population of half a million, there are in the schools only 42 teachers with an honours degree in mathematics. This makes maths teachers an endangered species threatened with early extinction.

Before too many readers are carried away by your leader, they might care to consider why so many of us, when we consider our country, are overwhelmed by a sense of depression and pessimism. However good things may look in the City, here they look awful. I ask myself why, when there is so much money available for luxuries, we are so desperately short of cash for essentials? Why, when there are millions unemployed can I not engage more technicians, secretaries and screeners for cervical cytology? Why, if credit is so easy, can I not have departmental funding to enable junior staff to engage in long-term, basic research instead of them having to beg money from charitable agencies for short-term projects? If things are improving so much, where is the evidence for it in ways that matter to me and my colleagues? It may be that in Cannon St it has stopped raining, but where I am something cold, wet and nasty is falling on my head. Perhaps you are right. It isn't rain, it's just sleet in very large quantities.

(Dr) C. K. Anderson.
Department of Pathology, University of Leeds, Leeds.

Trading in textiles

From the Co-ordinator, International Textiles and Clothing Bureau

Sir,—I should like first of all to thank you for having published (February 17) *in extenso* the viewpoint of developing countries, exporters of textiles and clothing, regarding their position on the British market.

I agree with Mr Ian MacArthur, director of the British Textile Confederation (February 25), that in 1986, reflecting the depreciation of most of their currencies against sterling, British imports of textiles and clothing from the developing MFA suppliers have risen faster than those from other EEC countries and also that British imports of clothing are coming mainly from the developing MFA suppliers.

There are, however, also other indisputable facts which cannot be omitted without being unfair to developing countries. British imports of textiles come predominantly from the EEC and other developed countries and they are more important than imports of clothing. Therefore if textiles and clothing are taken together, developed and not developing countries are the principal suppliers on the British market.

From volume data given in Mr MacArthur's own source it can be seen that in January-September last year 59 per cent of the total tonnage of British imports of textiles and clothing manufactured from MFA fibres came from EEC countries (including Portugal and Spain) and 11 per cent from other developed countries.

M. A. Bajwa.
Route des Morillons, 15 1218 Geneva

Paying for electricity

From the Manager, Budget Payments, Eastern Electricity

Sir, — Mr R. E. Crum (March 7) questions the basis on which Eastern Electricity's budget payments plan charges are calculated. He suggests that we are asking too high a monthly payment in comparison with the amount of electricity used when suggesting how his payments can be spread throughout the year.

The proposed monthly charges he mentioned included the past quarter's bill. In other words, those monthly charges covered more than a year's usage. The monthly amount on our budget payments plan is reviewed every quarter and should change when the original bill has been cleared. The charges would then revert to 12 months' usage being covered by 12 monthly payments. This is why the monthly payments were higher than Mr Crum apparently expected.

Our budget payments plan is becoming increasingly popular. Nearly 340,000 of our customers are now paying this way and the number is still growing.

K. C. Deakin.
PO Box 25, Russell Rd, Ipswich, Suffolk.

Changes in taxes

From Mrs E. Singleton

Sir,—I trust Mr J. Nicholson's suggestion (March 20), on the married person's allowance, is to be coupled with the existing option of separate taxation of husband and wife, extended to cover all forms of income. It is precisely the "share and share alike" approach, which Mr Nicholson favours, which is so iniquitable at present—witness the mortgage interest relief limit of £30,000, which is doubled for an unmarried couple.

The prelude to any proposals for change in this area must surely be a decision as to whether tax incentives are to be provided to reward the married and, separately, if encouragement is to be given through fiscal policy to non-working partners (married or unmarried) caring for young children. My preference would be for a fiscally neutral taxation of individuals, regardless of status.

The other side of the transferable allowance coin is, arguably, tax relief for preschool childcare costs, involving a change in engrained tax theory which, for example, prevents expenses of travelling to work and the purchase of suits worn only to the office from being deductible expenses. An exception to such theory for this particular cost is arguably more desirable than a transferable married person's allowance, which is available regardless of children, but which may help the unemployment figures.

(Mrs) E. S. Singleton.
29 St Andrews Avenue, Sudbury, Middlesex.

Portable pensions and AVCs

From Mr P. Field

Sir,—The provision of portable pensions by individuals, additional voluntary contributions and lump-sum commutation seems to me to have been thrown into a state of utter confusion, if not chaos, following the Chancellor's Budget statement. Apart from the problems of sorting out the detailed proposals—which no doubt will prove to be both profuse and complicated—it would appear that the pensions industry will also have problems in attempting to implement the new regulations at the same time as coping with the acceleration of the starting dates for portable pensions.

It does seem lamentable to me that fundamental changes to the concept of personally controlled pensions can be made by the Chancellor without (seemingly) any consultation whatsoever with either the organisations that will have to cope with the business, or without taking into account the views of the individuals concerned.

Mr N. Crighton (March 20) highlights the injustice that AVC participants will now suffer as compared with those in company schemes because apparently they will lose the right to any lump-sum commutations. Whether this will only apply to new entrants joining schemes after April 6 or to all existing AVC participants or even be imposed retrospectively is not clear to me.

P. R. Field.
155c Haverstock Hill, NW3.

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Haig enters the race for the White House

BY LIONEL BARBER IN WASHINGTON

MR Alexander Haig, the former US Secretary of State and White House Chief of Staff, yesterday threw his military hat into the ring of contenders for the Republican presidential nomination next year.

A former Nato commander and four-star general with a reputation for being headstrong and power-hungry, Mr Haig remains by his own admission "a dark, dark horse" for an office which he has been accused of acting as if he already holds.

In a speech in New York yesterday in which he formally declared his bid for President, Mr Haig had some strong words for the Soviet Union and reassurances for voters that inside his "military, turf conscious... demeanour is a heart as big as all outdoors."

Mr Haig warned the Soviets that all arms talks must take into account human rights and said that he supported the Nicaraguan Contra rebels fighting the Marxist Sandinista regime.

Turning to domestic issues, where his experience is limited, Mr Haig said that a balanced budget must be the order of the day and blamed President Ronald Reagan and Congress for record budget and trade deficits.

Mr Haig admitted that all Republican candidates were "clones" of the Reagan approach – a tribute to Mr Reagan's success in shifting the American mood to a more conservative view in the past six years.

But he suggested that he offered leadership and the ability to make constructive criticisms of the Reagan presidency, unlike other Republican candidates – a reference to vice president Mr George Bush.

Headstrong army man, Page 3

Michael Cassell reports on the Labour leader's defence stance

Kinnock faces rough ride in US

MR NEIL KINNOCK, the UK's opposition Labour Party leader, flies into the lion's den tomorrow when he goes to the US to promote his party's defence policy and, no less importantly, his own chances of becoming Britain's next Prime Minister.

His visit comes at a time when UK opinion polls show Labour to be trailing in popularity behind both the ruling Conservatives and the SDP/Liberal Party Alliance. The party has had to cope with deep divisions over its defence policy, and has suffered a series of setbacks in recent by-elections.

Mr Kinnock's two-day visit to New York and Washington, crowned on Friday by a private chat in the Oval Office with President Reagan, will end within hours of Mrs Thatcher's departure for Moscow and talks with Mr Gorbachev. Like Mrs Thatcher, he cannot expect an easy ride.

It will be Mr Kinnock's third visit to the US as Labour leader and follows his mission last December which, despite the denials of his closest advisers, did little to enhance his reputation as international statesman or to find many influential friends for Labour's non-nuclear defence strategy.

This time, not least because of the prospects of an imminent general election campaign at home, Mr Kinnock is hoping for a more constructive outcome, although he readily recognises – and has little option but to accept – the deep reservations held within the US Administration over his party's defence stance.

The Labour leader intends to make every second count during his short stay. In an action-packed itinerary, Mr Kinnock will first go to New York by Concorde and speak to the American European Community Association before heading for Washington.

Apart from the all-important session with the President and Mr Howard Baker, the new White House chief of staff, Mr Kinnock also hopes to see Mr George Shultz, the Secretary of State, and has lined up meetings with other leading US politicians like Senator Bill Bradley, sponsor of the US congressional summit on debt and trade and Senator John Tower, who chaired the "Irangate" commission of inquiry.

But although discussions may embrace subjects as wide as protectionism and Central America, it is defence which is likely to dominate the trip and on which Labor leader's performance will be judged, both in the US and at home.

In a move designed to underline Labour's continuing commitment to Nato and to try to stifle any lingering suggestions about the extent of his personal commitment to the party's unilateralist approach, Mr *Denis Healey*, the Labour's foreign affairs spokesman will be by Mr Kinnock's side.

The party is certainly hoping for a more receptive climate in the US than on the last occasion, given its recent statements aimed at underlining the desire not to jeopardise progress in talks on reducing intermediate nuclear weapons.

Mr Kinnock will tell President Reagan that a Labour government would not, despite its cast-iron commitment to see Cruise missiles leave the UK, insist on their removal while East-West negotiations continued.

In an additional minor but none the less significant easing of Labour's position, the leadership subsequently made it clear that it might even be able to live temporarily with Cruise if the superpowers agreed on a staged withdrawal of intermediate forces.

Despite mutterings from the left wing, the shift in stance has not yet provoked any significant internal unrest and it could be of considerable help in putting across the party line on the other side of the Atlantic.

Mr Neil Kinnock: criticism for SDI

Above all, Mr Kinnock will be anxious to tell the Americans that the party's commitment to Nato remains totally intact and that it fully supports the process of arms reduction and limitation which has now been given a fresh lease of life.

He will be spelling out further details of Labour's own defence blueprint and impressing upon his audience its determination to a strong Nato and, contrary to some recent suggestions, a programmed build up of conventional weaponry.

He has denied, perhaps a little optimistically, that many US officials believe Labour's non-nuclear stance could lead to the break-up of Nato.

He also emphasised his belief that President Reagan's arms control objectives were sincere and added: "I really do think that he wants to get on with the process." He said the President had "shown imagination and a certain audacity" in pursuing an agreement with the Soviet Union.

Mr Kinnock will not want to spend too much time on the defensive. In particular, he will spell out Labour's determination to decommission Polaris, which he claims the Americans no longer see as a significant or determining part of Alliance armaments, and to end the dual, nuclear-conventional role of US F-111 bombers based in the UK.

Only a single, conventional role would enable them to remain on British soil under a Labour government. An end to nuclear-armed submarines at Holy Loch, near Glasgow, is another non-negotiable issue.

The Labour leader is likely to reserve most of his criticism, however, for Mr Reagan's own special baby, the Strategic Defence Initiative, or so-called "Star Wars" programme.

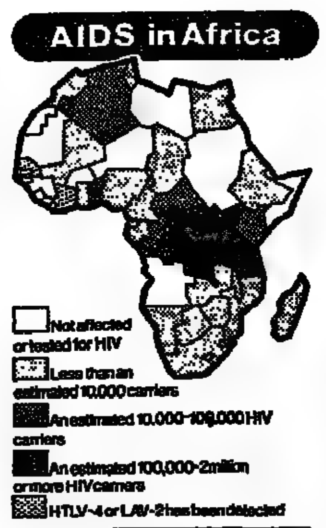
He believes that his party's objections are already shared by significant numbers of senior US military and political figures. In his view SDI is both militarily and technologically undesirable and, rather than securing arms reductions, will only lead to a new build-up of nuclear forces.

He emphasised that Labour would not be a party to the secret memorandum of understanding, under which Britain could participate in the development of the proposed defence system.

Mr Kinnock claimed that the US was not after British technology but British technologists, who were badly needed for more positive pursuits.

The President can be relied upon to listen politely and to acknowledge that a British Government has the right to take decisions which it believes to be in the best interests of its own people.

Convincing Mr Reagan that Labour's strategy would itself have brought East and West to the negotiating table and that it represents the best interests of Nato is likely to be much harder.



AIDS 'may kill 1m in Africa'

By Michael Holman in London

AT LEAST 1m Africans, mostly in central Africa, will probably die of AIDS in the next decade, warns a report *published yesterday* on AIDS and the Third World: It adds the figure is "probably a considerable under-estimate."

The report is published by the London-based Panos Institute, an independent information and policy studies research centre which specialises in environment and development issues. Its AIDS research programme has been largely funded by the Norwegian Red Cross.

Since the publication of its first report, regarded as an authoritative and comprehensive account of the nature of AIDS and the threat it posed, *the number of reported cases* has risen steeply in countries such as Brazil (754 to 1,012), Haiti (501 to 785), Ivory Coast (0 to 118), Uganda (29 to 766) and Tanzania (462 to 699).

At least 14 countries, says the Institute, have introduced restrictions on travellers, students and workers because of AIDS.

The report, a revised and updated account of a study first published last year by the Panos Institute, says that AIDS has spread beyond the US, Europe and central Africa and has now reached at least 127 of the world's 159 countries.

But one chapter in the report highlights the devastating impact that the virus is having – and will have – on the worst hit countries of central and east Africa, notably Zaire, Zambia, Rwanda, Uganda and Kenya.

"AIDS in Africa", says the study, "does not only threaten individual lives. The survival of whole industries and national economies may be at stake." On the Zambian Copperbelt, for example, the country's industrial heartland where copper mines produce over 90 per cent of export earnings, 68 per cent of the men who tested HIV-positive (HIV is the human immunodeficiency virus which causes AIDS) are skilled professionals.

In one unnamed central African country, the study says, "at least one large corporation is looking at the present level of HIV infection among its workers with alarm. If as many workers develop AIDS as now seems likely, the sick pay could bankrupt the company."

In the capitals of the worst hit countries, says the report, it is the young, skilled urban professionals, in whom their countries have invested scarce resources, who are either already infected or are at serious risk.

"This young elite represents Africa's first post-Independence generation to come to power," and they will die in increasing numbers: "The political, social, economic and psychological impact of this gathering death-march cannot be underestimated."

Yet Africa's battle with AIDS, says the report, will be fought at a time when the national income of many countries is falling sharply, debt is mounting and foreign aid is being cut.

The report takes the case of Zambia, where real per capita income in the last decade has fallen by nearly half and health spending is down 20 per cent. Zambian doctors fear that the country may have as many as 6,000 babies and infants with AIDS by the end of this year (the US has under 400), placing a huge strain on health services.

The contrast between resources available to Western countries in their fight against the virus, and the Third World, is stark: "While the US Government has allocated $2bn to AIDS research and control, a hospital dealing with AIDS in Kampala (Uganda) cannot obtain bleach to disinfect its test tubes."

African states, says the study, have reported a total of 2,561 AIDS cases, compared to 30,839 in the US. But the number of HIV carriers on the African continent is "probably many times greater" than in the US. One of the most heavily infected central African countries, Zaire, has not reported any AIDS cases to the World Health Organisation (WHO).

AIDS and the Third World, the Panos Institute, 8 Alfred Place, London WC1E 7EB, Tel: 01-631-1590; £5.50 ($8.90).

Changing UK research policy, Page 7

THE LEX COLUMN

Second-time round the treadmill

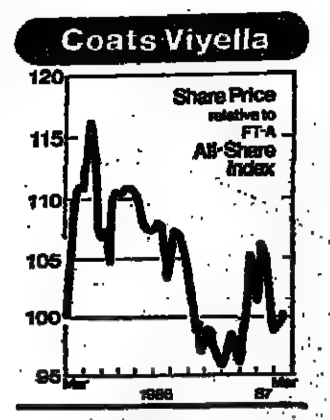
It takes some nerve to launch your maiden contested bid for a significantly larger company in the middle of a takeover pause; but Williams Holdings is a precocious creature. Having studied the works of the grand-masters and meticulously planned its early ascent to high-rating status Williams could soon be poised on the brink of the FTSE 100. From a £2m shell in 1982 that is growth that leaves even its mentors looking sluggish.

Norcros may be a little overripe but will not simply drop from the tree. Its difficulty is that as a conglomerate of an elder generation it can call in aid no "Pilkington effect" and will stand judged on price and senior management alone. Williams cannot simply claim Norcros as evidence of that cyclical rotting from the head supposed to afflict all conglomerates – particularly as much of the senior management is quite fresh – but the recent improvements have yet to trouble the earnings line. And Williams' canny timing ensures that a surge in Norcros's 1986-87 earnings will be treated with some suspicion, while another message of deferred gratification (spiced perhaps with talk of Nigerian troubles) will amount to surrender.

A bid valuation of 18 times earnings is hardly stingy especially as there is a widespread institutional interest in keeping the Williams share price up. The defence will make much of the short track record and the folding-paper growth trick. However, Norcros may find the disarmingly blunt acquisitiveness of the Williams leadership an effective argument. Norcors may do better to point to the darker side of the bids' apparent integration benefits – particularly the potential hostility of rival DIY retailers. But it may have missed the best trick by not following McKechnie in using its own rumour-inflated paper to pull in a poison pill.

Coats Viyella

Followers of Coats Viyella in its current incarnation, and of its constituent Vantona Viyella, have had to struggle along without any truly comparable figures for a couple of years. Yesterday's results for 1986 certainly looked splendid at £181.7m pre-tax, more than a fifth up on the pre-merger profits as combined and restated, though there was some help from a pension holiday if nothing else. At least this year should be fairly straightforward in reporting terms.



But the market still has another difficulty with the company: trying to unearth specifics from the general wealth of exceptional opportunities that the new group has identified. There must be more to synergy than doubling the Jaeger chain in the US and pushing other people's products through the distribution network in Brazil. Some benefits are already to be seen in better margins throughout the business despite a less-than-buoyant trading background and it sounds as if there is still more reorganisation work to do. No doubt the £25m set aside for design, research and development and the £90m of capital expenditure expected this year is money well spent.

So while there is a general expectation of significant profits growth to come, to around £215m this year for starters, the market is somewhat reluctant to pin too much on Coats just yet. A prospective p/e of around 11.5, on the shares up 23p to 617p, still allows for scepticism.

P&O

Sir Jeffrey Sterling is clearly the sort of man who gives his wife his favourite record album for her birthday present. *This is one interpretation* of P&O's decision to celebrate its 150th anniversary by giving shareholders not a special dividend, but a warrant to subscribe for P&O stock at 750p at some stage between 1988 and 1993.

The company thinks the warrants may be worth about £1.20p each to holders, but for P&O the effect is of a 1 for 15 rights issue to raise £200m. Happy Birthday, P&O.

If the warrants really do have the value suggested then their invention more than accounts for the 8p rise in the company's shares yesterday to 638p. That is probably right since the 39 per cent rise in pre-tax profits to £174m was already discounted.

The dizzy dance of disposals and acquisitions over the past year makes most comparisons idle, but it appears that organic growth in operating profits was about 20 per cent.

This year, with the inclusion of all of European Ferries, the picture will become still more impressionistic.

Cynics – perhaps unfairly – are already anticipating a savage write-down of EF's US property portfolio to be followed by extraordinary profits on disposals above the written-down value.

For those who are sceptical about the route to growth, the prospective yield of about 4.7 per cent is probably a greater inducement than the promise of warrants.

Woolworth

A profit forecast made is a forecast beaten, and Woolworth has accordingly celebrated its continued independence by reporting something a good bit better than the £105.5 ($169m) it had to promise when repelling Dixons.

Forgetting about an extra £3m or so of profits on property disposals, the overshoot is about 6 per cent, pleasantly surprising, but not so much as to store up trouble for the current year.

With the exception of B&Q, which sails on as the unquestioned leader in its market, it is nevertheless this year, more than the last, which will put the Woolworth retailing strategies under test.

Comet's relaunch with more emphasis on brand representation and less on price-aggression has so far generated better margins but not done much for volume. Focusing the Woolworth chain has indeed lifted transaction size – as it ought, given the removal of so much low-ticket nil-margin turnover in baked beans and cat food.

But it is in the second year of the strategy, when the sales will be a relatively stable mix of the higher gross margin focus items, that real volume increases will have to be seen if there is to be progress at the net level. A share price of 353p, up 11 yesterday, says that there will.

Airbus aid offer attacked

Continued from Page 1

The company has to find a total of £840m in launch aid for the project over the next six years, of which it is proposing to obtain £90m from its own resources.

On top of this, BAe would have to fund production costs estimated at £500m to £600m.

In 1983, the Government gave BAe £250m launch aid, repayable from sales, for the Airbus A320 twin-engined short range airliner. BAe had asked for £350m.

The loss on the production and sale of civil aircraft "in a difficult year" announced by Sir Austin yesterday compared with a £2.5m loss in 1985, and came "despite improvements in productivity," the company said. "Profit margins continued to be under pressure, due to keen competition and the strength of sterling against the US dollar."

Last year was British Aerospace's first as a fully privatised company. It was "right on track," *Sir Austin said*, with an end-year order book worth £8.6bn compared with £5.1bn at the end of 1985. The 1986 order book included only the initial orders arising from the £5bn military aircraft contract with Saudi Arabia.

UK fair trading chief challenges SIB rules on life insurance

BY CLIVE WOLMAN IN LONDON

SIR GORDON BORRIE, the Director General of the Office of Fair Trading (OFT), yesterday subjected the rules of the Securities and Investments Board (SIB) on the selling of life insurance and unit trusts to a powerful challenge which threatens the implementation of the new City of London regulatory framework.

As part of a much wider critique, Sir Gordon has supported the banks' and building societies' objections to a SIB requirement to force them to separate their investment advisory services from the sale of packaged investments in their branches. The rules would deprive customers of information about competing policies and promote the influence of the direct insurance salesman, his report says.

In a response, Sir Kenneth Berrill the SIB chairman, said that the SIB's insistence that selling investments and giving independent advice must be "polarised," to prevent the investor becoming confused, formed a fundemental part of its rulebook. When asked whether his own position would become untenable if the Trade and Industry Secretary Mr Paul Channon supported Sir Gordon's report, Sir Kenneth replied: "We shall cross that bridge if we come to it."

The SIB, however, has agreed on a plan, not yet announced, to defuse some of the opposition by offering to exempt the building societies from the need to subscribe to the SIB-sponsored investor compensation arrangement. The building societies have been protesting for several months that they should not have to bail out less stable investment firms which become insolvent.

Mr Mark Boleat, secretary general of the Building Societies Association, yesterday endorsed the OFT report and said that the SIB proposals would favour insurance company salesmen at the expense of the banks and building societies.

The 77-page report of the OFT forms part of the process of setting up the new regulatory system outlined in last year's Financial Services Act. The OFT is required to report on any anti-competitive elements in the SIB rulebook before the SIB receives designation from Mr Channon. If Mr Channon required the SIB to change its rules to meet the OFT criticisms on the grounds that they are not necessary for investor protection, the full implementation of the act could be delayed from the end of this year until the second half of 1988.

The OFT report reviews the entire SIB rulebook, which it says is lengthy, complex and impenetrable, in search of restrictive arrangements "where self-interest and customer protection are most easily confused." It says that the effect of the rules on the selling of life assurance and packaged investments "is the most serious issue that arises."

It concludes at the polarisation rule when coupled with the heavy compliance costs of the new regime would distort competition by reducing the availability of independent advice from intermediaries who are not company salesmen and by reducing the information available to customers on competing policies.

The report is particularly critical of the SIB's failure to require intermediaries to disclose the commissions they earn when selling a policy and to disclose what proportion of a policyholder's money is likely to be taken in expenses. The SIB is investigating a way of meeting the second criticism. But Sir Kenneth said yesterday that no chance was likely to be implemented before 1990.

Editorial comment, Page 24

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	14	57	Malta	S	15	59	Rhodes	F	15	59
Algiers	S	21	70	Edinburgh	C	5	41	Manchester	C	7	45	Rio de J'o	S	32	90
Amsterdam	C	8	46	Faro	F	17	63	Manila	S	35	95	Rome	S	16	61
Athens	F	14	57	Florence	F	15	59	Melbourne	C	16	61	Salzburg	C	10	50
Bahrain	S	23	73	Frankfurt	R	9	48	Mexico City	C	28	82	San Francisco	S	7	45
Bangkok	S	34	93	Funchal	F	20	68	Miami	C	22	72	Seoul	C	7	45
Barcelona	S	16	61	Geneva	F	14	57	Milan	S	14	57	Singapore	C	31	88
Beirut	C	18	64	Gibraltar	S	18	64	Montreal	S	1	34	Stockholm	C	2	36
Belfast	S	5	41	Glasgow	F	5	41	Moscow	C	-1	30	Strasbourg	C	11	52
Belgrade	F	8	46	Guernsey	C	9	48	Munich	C	11	52	Sydney	C	22	72
Berlin	C	7	45	Helsinki	Sn	1	34	Nairobi	F	29	84	Taipei	C	22	72
Biarritz	F	19	66	H. Kong	C	25	77	Naples	S	16	61	Tangier	—	—	—
Bombay	S	39	102	Innsbruck	C	12	54	Nassau	C	21	71	Tel Aviv	S	20	68
Bordeaux	C	15	59	Inverness	F	4	39	New Delhi	S	27	81	Tenerife	S	20	68
Brussels	D	10	50	Islamabad	C	25	77	New York	C	7	45	Tokyo	C	19	66
Budapest	S	11	52	Istanbul	R	6	43	Nice	F	14	57	Toronto	S	0	32
B. Aires	S	25	77	Jakarta	R	31	88	Nicosia	S	18	64	Tunis	F	17	63
Cairo	C	18	64	Jersey	C	11	52	Oporto	R	12	54	Valencia	S	21	70
Cape Town	S	25	77	Jo'burg	F	23	73	Oslo	Sn	2	36	Venice	S	12	54
Caracas	C	33	91	Lima	S	27	80	Paris	C	11	52	Vienna	C	14	57
Casablanca	—	—	—	Lisbon	R	14	57	Peking	F	1	34	Warsaw	F	4	39
Chicago	F	9	48	London	R	12	54	Prague	C	7	45	Washington	—	—	—
Cologne	R	11	52	Los Angeles	R	12	54	Reykjavik	F	3	37	Zurich	F	12	54
Copenhagen	C	2	36	Luxembourg	D	7	45								
Corfu	S	14	57	Madrid	F	14	57								
Dallas	S	5	41	Majorca	S	16	61								
Dublin	C	8	46	Malaga	F	18	64								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

$ falls to record low

Continued from Page 1

In London, the dollar closed at Y149.25, up on its post-war low of Y148.25 earlier yesterday but still below Monday's closing Y150.15. *Sterling fell from a high of $1.6235* to close yesterday at $1.6115 compared with Monday's closing $1.6175.

Foreign exchange dealers noted that, despite the Fed's action, the dollar had still failed to rebound above Y150, a key level, and most see the dollar *falling* again.

The dollar's slump set off fresh cries of alarm among Japanese government and industrial leaders who feared that Japan's intensifying trade frictions with the US were undermining the Paris accord.

The market was certainly nervous yesterday *that impatience* with Japan over trade issues was strengthening the hand of the protectionist lobby in Congress which could lead to renewed pressure on the administration *to allow the dollar to drop.*

A parliamentary deadlock has delayed passage of Japan's budget and tax reform proposals and, until they are passed, the measures to stimulate the economy which formed an integral part of the Paris accord cannot be introduced.

Mr Kiichi Miyazawa, Japan's Finance Minister, made a clear attempt yesterday to reassure markets that the G6 accord was still in place

He said he believed the US would act in concert with Japan to support the dollar

هكذا من الأصل

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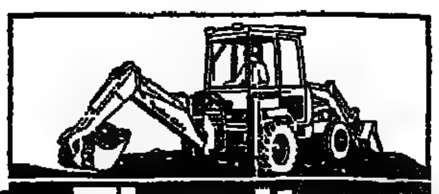
FINANCIAL TIMES
Wednesday March 25 1987



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National Semi sales rebound

By Louise Kehoe in San Francisco

NATIONAL Semiconductor, the US semiconductor and computer manufacturer, reported reduced losses and a sales rebound during its third quarter which ended on March 8. This reflected a general improvement in the US semiconductor market.

National reported a net loss of $25.6m or 31 cents a share, compared with net losses of $39.4m, or 47 cents in the same period last year.

The third-quarter results include a charge of $15m related to the consolidation of manufacturing in National's supermarket checkout computer equipment and semiconductor operations.

Sales picked up to $398.1m, compared with $322.3m in the third quarter last year.

However, the third-quarter performance represents a decline from the previous quarter when National reported sales of $456.8m and losses of $5.7m.

Losses for the nine-month period totalled $32.7m, or 44 cents a share, compared with a net loss of $84.4m or $1. Sales for the three quarters of fiscal 1987 came to $1.4bn, up from $1.08bn.

National restated its 1986 results at the end of the fiscal year when the company changed its method of accounting for sales to distributors.

The president and chief executive, Mr Charles E. Sporck, said, Semiconductor order rates had continued to increase during the third quarter. He blamed the quarter-to-quarter sales decline on low order rates during the past few months of 1986.

Mr Sporck added that excess manufacturing capacity throughout the semiconductor industry continued to depress semiconductor prices, in spite of improving business conditions.

William Hall looks at the link between two of the world's biggest players in the financial services industry

American Express hunts for a global advantage

IF YOU NEED an accurate reading of the fashion thermometer of the international financial services business, you could do worse than monitor the latest manoeuvres of American Express, the large US financial services group.

Its latest venture, which American Express codenamed "the canal-street project" and its Japanese partner referred to as "the French connection," links two of the biggest players in the world financial services industry.

It will have raised the competitive temperature in the boardrooms of many of American Express' biggest rivals such as Citicorp, Merrill Lynch, Salomon and Sears Roebuck.

All are battling with the twin problems of how best to bolster their capital position and establish strong international ties to take advantage of the rapid changes in the global financial markets.

American Express' latest move underlines the bold initiatives being taken as commercial banks, brokerage houses and insurance companies jostle for competitive advantage.

American Express' decision to sell 40 per cent of Shearson Lehman Brothers, the third-biggest Wall Street investment bank, and to launch the first of several joint ventures in key world financial centres with Nippon Life, the biggest Japanese insurance company, has quickly caught the imagination of Wall Street. American Express shares jumped $2¼ to $79 in early trading yesterday.

Mr Michael Lewis, an analyst at E. F. Hutton, described as a "brilliant move" the sale to Nippon Life of a 13 per cent stake in Shearson Lehman Brothers for $538m, and the proposed initial public stock offering of 18m Shearson shares.

It provides Shearson with significant new equity, likely to make it the most highly capitalised investment bank on Wall Street, and "ties in tremendous relationships" with Nippon Life, Japan's biggest institutional investor.

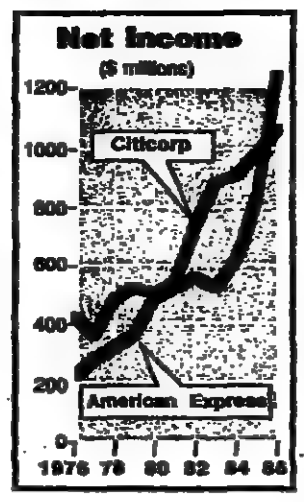
It should also boost American Express' price-earnings multiple, well below the stock market average because of investor concern about the cyclical nature of Shearson's earnings.

Shearson Lehman and Nippon Life will cement their new relationship with a joint venture in London which will concentrate on investment advisory work and asset management. It is expected to be the first of several projects involving American Express, Shearson and Nippon Life in "key financial centres of Asia and other regions of the world."

Shearson has lagged behind some of its US competitors in the European capital markets, and the new London venture should help strengthen its position. It should also provide an important impetus to Shearson's ambitious plans for its own business in Japan, which it describes as the fastest-growing major capital market in the world.

American Express sacrificed its banking licence in Japan two years ago to enable Shearson to expand its operations in Tokyo. The link with Nippon Life, which boasts the world's largest life insurance business, should help Shearson gain access to the mounting Japanese investment flows into the US and strengthen its links with Japanese companies, which most US investment banks have yet to develop.

Meanwhile, Nippon Life will nominate two advisers to Shearson's board of directors and one representative to serve as an adviser to the American Express board.



American Express, the US financial services giant, has announced plans to sell off up to 40 per cent of Shearson Lehman Brothers, its brokerage arm. It also unveiled the first of several planned joint ventures with Nippon Life, Japan's biggest life insurance company. The announcements reflect the rapid realignments now under way as financial services companies set about strengthening their capital

It has also been granted a five-year warrant to purchase 1m American Express shares, equivalent to 0.46 per cent of its equity, at $100 a share.

The appointments will give Nippon Life an inside track on the strategic thinking of one of the world's most successful financial conglomerates. A provision for the exchange of staff will help it train its younger managers, at a time when Japanese institutions are seeking to become increasingly international.

The latest moves by American Express are a far cry from the sort of expansion moves which the company had in mind when Mr Jimmy Robinson took over as the group's chief executive 10 years ago.

Having invented the travellers cheque in 1891, and pioneered the charge-card business, American Express appeared intent on becoming a major player in the "electronic home of tomorrow" through its rapidly expanding cable TV interests.

However, after a few false starts American Express began to put together the core of its financial empire which now towers above most of its US rivals.

In 1981 it paid $915m for Shearson Loeb Rhoades, and followed this up with the $520m acquisition of Edmond Safra's Trade Development Bank and the $727m acquisition of Investors Diversified Services in 1983. The following year it bought Lehman Brothers Kuhn Loeb for $380m.

The partnership with Mr Edmond Safra, one of the world's wealthiest bankers, never really worked, and the group's cable TV operations have been sold off as have the bulk of the group's investment in its highly cyclical Fireman's Fund insurance operations.

Despite investment initiatives such as these which have not met American Express' early ambitions, the group has emerged as a major international financial services conglomerate whose stockmarket capitalisation of $17bn is 3½ times larger than Merrill Lynch and more than twice as big as that of Citicorp, the biggest and most successful of the US money centre banks.

Ten years ago American Express earned less than half what Citicorp earned. Last year, American Express earned more than Citicorp for the first time in its history reporting income from continuing operations of $1.1bn.

Nevertheless, even American Express is overshadowed by the financial strength of Japanese competitors such as Nomura Securities which has a stock market capitalisation of $59bn.

UK travel group poised for bid

By David Churchill, Leisure Industries Correspondent, in London

INTERNATIONAL Leisure Group, the UK holidays, airline, and hotels group, yesterday revealed that it was holding talks with another company which could lead to a full bid for ILG.

At last night's closing price this would value ILG at about £94m ($58.7m).

The announcement followed a sharp rise in the ILG share price over the past few days following market speculation that a merger was imminent. ILG's share price closed last night at 182p, 20p up on the day.

ILG declined last night to name its suitor.

In a separate statement, ILG said that "the board does not anticipate that the offer, if it is received, would be significantly above the current market price."

ILG has been seen in the City of London as a possible takeover target following the failure of merger talks last year with British Caledonian Airways. However, BCal said last night it was not the company holding talks with ILG.

British Airways, which has about 5 per cent of the package holiday market, declined to comment "on market speculation."

City analysts were last night discounting the possibility of a full bid being launched by the New Zealand investment company Omnicorp Investments which took a 7.8 per cent stake in ILG earlier this year.

ILG's main area of operations is in the package holiday market where it has an estimated 17.5 per cent market share, compared with 29.5 per cent for market leader Thomson Travel. Although holiday bookings for this summer were depressed in the early part of the year, they are now reported to have picked up.

Ferruzzi tightens Montedison hold

BY ALAN FRIEDMAN IN MILAN

MR RAUL GARDINI, chairman of Italy's Ferruzzi agro-industrial concern, last night reached an agreement with Mr Mario Schimberni, chairman of the Montedison chemicals and pharmaceuticals group, which will see Ferruzzi's presence strengthened on the Montedison board and in subsidiary companies.

The Gardini-Schimberni accord, which followed more than two hours of talks in Milan, comes a fortnight after Mr Gardini boosted his Montedison shareholding from 27.6 per cent to more than 37 per cent, thus assuring himself of effective control of Italy's second-largest private-sector company.

Ferruzzi and Montedison were last night limiting their official comment to a statement that the two companies would "do great things together."

An aide to Mr Gardini said that the accord, terms of which have not been disclosed, would see Ferruzzi obtaining several more seats on the Montedison board – at present the Ravenna-based Ferruzzi has two out of 15 seats. He added that it was the intention of both sides that Mr Schimberni should continue to run Montedison.

It was also learnt that Mr Gardini is likely to be named chairman of La Fondiaria, the wealthy Florence insurance group which Montedison controls. Mr Gardini's colleagues from Ferruzzi are also expected to be given prominent positions on the board of Meta, the financial services subsidiary of Montedison.

Canada airline chooses name

By Bernard Simon in Toronto

CANADA'S largest private-sector airline, formed by a merger last year between Calgary-based Pacific Western Airlines and Canadian Pacific Airlines of Vancouver, is to be known in future as Canadian Airlines International (CAI).

Pacific Western, which bought CP Air from Canadian Pacific, the resources and communications conglomerate for C$300m (US$229m) said yesterday that the two carriers' services would be integrated from April 26.

TI sees improvement

BY LOUISE KEHOE IN SAN FRANCISCO

TEXAS INSTRUMENTS, the US semiconductor manufacturer, expects to report a gain of $108m, before tax and before profit-sharing, in the first quarter. This is as a result of royalty payments to be received in connection with patent suits recently settled with six Japanese semiconductor makers.

Last year Texas Instruments filed suits against eight Japanese and one Korean company claiming infringement of its memory chip patent. Recently the US group reached out-of-court settlements with Fujitsu, Matsushita Electric Industrial, Mitsubishi, Oki, Sharp and Toshiba. Each of the Japanese companies agreed to make fixed royalty payments, which Texas Instruments said totalled $134m.

Texas Instruments said the $108m gain was after the reduction of certain royalty payments it recognised in the fourth quarter of 1986. The remainder, discounted for inflation and other factors would be recorded in the first quarter of the current year.

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omron

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Cypriot citrus fruit producer aims to upgrade image

AS TURKISH Cypriots struggle to reorganise their ailing state industries, they may have some lessons to learn from the relative success of their largest corporation, Cypfruvex, set up in 1975 in the wake of the Turkish takeover in the north of the island.

Today Cypfruvex is the fourth largest citrus exporter in the northern hemisphere, handling 1.2m boxes of citrus fruits, mostly oranges, a year.

"Most of our plant has been built since 1975," says Mr Hasan Ozerdem, the company's managing director, eager to fend off suggestions that Turkish Cypriots are simply operating factories they inherited after the division of the island.

Cypfruvex handles about 47 per cent of Turkish Cypriot fruit production, putting it well ahead of its nearest rival, Polly Peck. Exports in 1986 were about $15m fob, of which the largest item was 80,000 tonnes of Valencia oranges, followed by 35,000 tonnes of grapefruit. Its exports are the largest of any company in northern Cyprus. In some years they account for half national export earnings.

Outwardly Cypfruvex looks and appears to work like any other private sector company, but Mr Ozardem explains that basically the company exists to market growers' fruit on behalf of the government.

"We are not a profit-making company," he says, although in the 1984-85 season, Cypfruvex made a surplus of more than TL 2,000m ($4.4m). This turned into a loss last year of TL 400m which was covered by reserves.

Most of the company's shares — 90 per cent — belong to the Turkish Cypriot government. The rest are owned by the Turkish Cypriot Central Cooperative Bank.

From humble beginnings, the company has grown steadily. "There has been a major improvement in the quality of Cypfruvex's product and its presentation over the last four years," says one British buyer.

Britain was originally the main market for Cyprus oranges, but Cypfruvex has steadily diversified over the last five years. France is now its main customer, followed by Scandinavia. The UK market now absorbs only about 14 per cent of exports.

More than most companies, Cypfruvex has to glance over its shoulder at competitors. In the north, there is the challenge from Polly Peck which is seen as putting more effort into grading its product. So too do the Greek Cypriot dealers in the south of the island.

"Cypfruvex is a very reliable company to deal with, but it still needs a lot of advising on some topics," says one British dealer. "The main problem is that it does not pre-palletise their fruit cargoes, which causes a lot of difficulty for the customer."

Cypfruvex explain this by saying that the transport used at present is not "pallet-friendly" and pre-palletising would thus be unprofitable.

The emphasis on steady market expansion, however, will continue, despite a glut on European markets and fears that the European Community will impose additional duties on producers outside the Community as a result of Spain's membership.

Last year for the first time. Cypfruvex moved into exporting grapes, and is also exporting 5,000 tons a year from Turkey.

"Stricter grading and more promotion would do wonders for their image" says the British dealer of Cypfruvex. "At present customers don't go into supermarkets and buy Cyprus oranges. But if Cypfruvex carry on with their policy of gradual improvement, it could come one day."

By David Barchard, recently in Cyprus

Italtel renegotiates US switching deal

BY ALAN FRIEDMAN IN MILAN

ITALTEL, the Italian state-owned telecommunications equipment maker which may be merged under a joint holding company with Fiat's Telettra subsidiary, is renegotiating an agreement with GTE of the US in the field of public telephone exchanges.

Mrs Marisa Bellisario, managing director of Italtel, said the issue of revising the agreement, undertaken in 1982, was raised at Italtel's initiative in light of last summer's deal between GTE and Siemens of West Germany under which the latter is to have 80 per cent of a venture pooling public switching operations in Italy, Belgium and Taiwan.

The renegotiation—now being discussed with Siemens of West Germany rather than GTE—is likely to lead to the purchase by Siemens of licences for the Linea UT Digital public switching exchange in Italy, according to Mrs Bellisario.

The Linea UT, which last year represented about a fifth of Italtel's L1,300bn ($1bn) of sales, was developed by Italtel as part of the 1982 three-way agreement with GTE and Telettra. Mrs Bellisario said that as far as Telettra is concerned "we have been in touch with them and they have no problem with our talking to Siemens."

Italtel's managing director said that the Linea Ut could eventually replace the GTD-5 public switching system, which was developed by GTE as part of the 1982 co-operation agreement. In the meanwhile she said that Italtel and Siemens are discussing plans for co-operation in Italtel's research and development activity in Italy. Mrs Bellisario said that Italtel had spent about L200bn so far on developing the UT line. She predicted a similar amount would be spent in the next two years.

Italtel claims about 52 per cent of the Italian market in public switching, while GT is reckoned to have a share of about 12 per cent.

Gist-Brocades lifts earnings 11%

BY LAURA RAUN IN AMSTERDAM

GIST-BROCADES, the Dutch biotechnology group, produced a rise of 11 per cent in earnings to Fl 111m ($53.97m) in 1986 from Fl 100m the year before, after extraordinary gains and lower taxes.

The company's sale of its stake in Henkes, a Dutch distillery, yielded extraordinary income which more than offset narrowing profit margins and falling sales.

Profits per share increased to Fl 3.27 from Fl 2 following a five-for-one share split last year.

Revenue slipped 2.6 per cent to Fl 1.8bn from Fl 1.85bn on stagnating sales in traditional dried yeast and the lower dollar.

An unchanged dividend of Fl 1.30 per share was declared for 1986.

Gist-Brocades, which is based in Delft, said it expected operating income to continue under pressure this year as a result of shrinking profit margins and the weaker dollar. A slight fall in earnings per share for 1987 is a possibility, added Gist, which is the world's largest manufacturer of penicillin and a leading maker of beta lactam antibiotics.

Von Roll plans to resume dividends

BY OUR FINANCIAL STAFF

VON ROLL, the Swiss steel group, has nearly doubled profits for 1986. It plans its first dividend for four years.

At the same time the company intends to strengthen its capital base by issuing bearer shares and splitting its registered shares through a five-for-one issue.

Von Roll made a net profit last year of SFr 26m ($17m), up 86 per cent from the 1985 level. Turnover rose 3.6 per cent to SFr 1.34bn.

The dividend, only the second payment in 11 years, will be SFr 30 a share. The last payment was SFr 25 for 1981.

The company plans to split its existing 180,000 registered shares of SFr 500 nominal into 900,000 registered shares of SFr 100. It will also create 50,000 new bearer shares, its first issue of freely transferable bearer shares, and issue them by way of rights.

Of the new bearer shares, 28,500 will be offered to shareholders on a one-for-40 basis on the split registered shares. The price of the rights issue will be set shortly.

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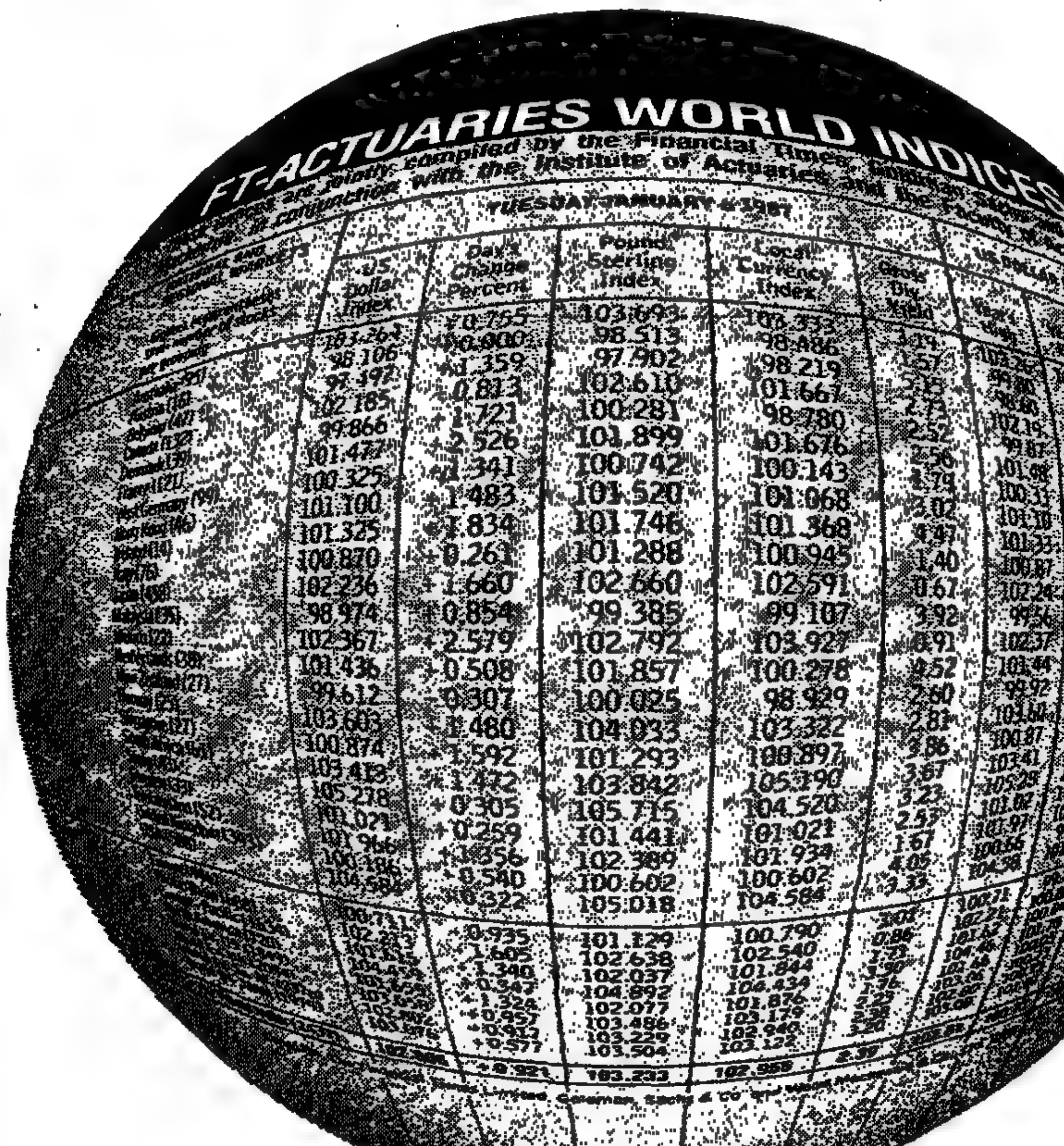

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New York Boston Chicago Dallas Detroit Houston Los Angeles Memphis Miami Philadelphia St. Louis San Francisco London Hong Kong Tokyo Zurich

Fiat rules out deal with Nissan over Alfa venture

BY JOHN WYLES IN ROME

FIAT yesterday firmly ruled out the possibility that it would allow the Japanese manufacturer, Nissan, a stronger foothold in Italian car production.

Mr Cesare Annibaldi, the Fiat director of external relations, said that there was no question of Fiat agreeing to allow Nissan to take 100 per cent control of the Arna joint venture set up with Alfa Romeo in 1980.

The Arna project is one of the loose ends which still needs to be tied up since Fiat acquired control of Alfa at the beginning of the year. The plant at Avellino near Naples has been a commercial disaster, producing only about 50,000 "Alfa-ised" versions of the Nissan Cherry saloon since 1983, instead of the 60,000 a year originally envisaged. Production was finally halted last June and the 650-strong workforce laid off.

Reports from Tokyo that Nissan was interested in acquiring the plant has sparked some concern about a Japanese "Trojan Horse" capable of side-stepping the long-standing Italian restrictions limiting Japanese imports to 2,000-3,000 a year.

"Nothing has yet been settled, but the future should be clarified over the next few days. There is definitely no possibility that we shall sell 100 per cent of Arna," said Mr Annibaldi.

The most likely outcome of negotiations appears to be an agreement to continue the joint venture on the basis of producing a different vehicle—possibly a Japanese designed four-wheel drive which would not directly compete with anything in the Fiat line-up.

In the meantime, negotiations between Fiat and the trade unions on new working arrangements at the two Alfa plants at Arese and Pomigliano del Arco will resume on Friday. The two sides parted in disagreement a fortnight ago with union delegations deeply divided over the company's plans to scrap the "work group" system of car assembly.

Swiss chemical group hit by exchange rates

BY JOHN WICKS IN ZURICH

EMS, THE Swiss chemical concern has shown a slight fall in sales and earnings for 1986, mainly due "to unfavourable currency conditions."

Consolidated group turnover dropped to SFr 517m ($339.6m) from SFr 522m despite of a rise in sales volume in all sectors except synthetic fibres. The only divestment during the year was of about SFr 8.8m on turnover from the production of sport flooring and tank linings by the EMS-Togo subsidiary.

At the same time, group cash-flow fell slightly from SFr 80.2m to SFr 79.8m and profits after tax from SFr 40.9m to SFr 45.0m.

The current year is said to have started well. Although exchange rates remained unsatisfactory compared with those of early 1986, sales rose by 2 per cent with an unchanged cash-flow margin.

Turnover in systems technology had increased 12 per cent so far this year, by 10 per cent for EMS-Togo, and 3 per cent for plastics, while sales remain constant in the chemical-engineering sector.

For 1987, EMS looks for good salles and earnings and said it has a continuing high level of new orders.

U.S. $100,000,000

Kemira Oy

Floating Rate Notes Due 1995
of which U.S. $75,000,000 has been issued as the Initial Tranche

Interest Rate	6 9/16% per annum
Interest Period	25th March 1987 25th September 1987
Interest Amount per U.S. $10,000 Note due 25th September 1987	U.S. $335.42

Credit Suisse First Boston Limited
Agent Bank

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(Incorporated with limited liability in Portugal)
Macao Branch

US $40,000,000

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In accordance with the provisions of the Certificates, notice is hereby given that the rate of interest for the period from 26th March, 1987 to 28th September, 1987 has been established at 6 7/8 per cent. per annum.

The interest payment date will be 28th September, 1987. Payment, which will amount to US $8,799.48 per US $250,000 Certificate, will be made upon presentation of the relative Certificate.

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

$100m Credit Lyonnais deal lifts dollar sector

BY CLARE PEARSON

NEW ISSUE managers in the Eurobond market had a busy day yesterday as a string of deals emerged in a variety of currencies, even though dealers in many areas of the secondary market were taking profits or were inactive.

LTCB International livened up an otherwise somnolent fixed rate Eurodollar market yesterday with a $100m deal for Credit Lyonnais. The issue met a favourable initial response, event hough dealers said that overall investor interest in the Eurodollar sector continued very low.

The $100m five-year 7⅛ per cent bond was prived at 101⅛ per cent to give a yield of 50 basis points net of the fees. The issue is being swapped into floating rate funds, and dealers thought that this must have been arranged on generous terms for the pricing on the bond to be achieved.

Other syndicate managers venturing into the Eurodollar market were concentrating on launching equity related deals, which have generally proved more successful than fixed rate issues in recent months.

A rare issue appeared for a Singaporean borrower, led by Morgan Grenfell, with Daiwa Singapore as joint book runner. The $60m issue was for Keppel Corporation, the shipbuilding company which has been broadening its activities intoo such areas as financial services. The deal was bid at 99, against a par issue price.

The 10-year issue, with an indicated coupon of between 4 and 4½ per cent, is being sold both in Europe and Asia. The conversion premium will be fixed at 5 per cent above the average share price for the five business days before April 2.

Morgan Stanley meanwhile led a $150m 15-year issue for American Can, the US financial services, direct mail and retailing company. This deal traded at levels slightly above its par issue price. The coupon will be set at between 5¾ and 5⅞ per cent and the conversion premium at between 25 and 28 per cent.

Nomura International led a $30m five-year zero coupon bond for Banco di Sicilia, priced at 70.40.

Dealers in the Eurosterling market were taking profits after recent gains and prices fell by about a ½ point. Falls in the gilt market were greater, however.

This helped open up an opportunity for Baring Brothers to arrange an attractive swap on a £50m issue for Leeds Permanent, the UK building society, which is being exchanged for floating rate funds.

The five-year issue incorporated a partly paid feature—the first on a Eurosterling bond of this maturity. This feature

INTERNATIONAL BONDS

was designed to enhance its attractions for UK investors, at which it was mainly targetted. Their reaction was hard to gauge since the issue was announced late in the day.

The deal is priced at 100⅞, but 80 per cent of this is not due for six months. With a coupon of 9½ per cent, it gave a yield margin of 50 basis points over comparable gilts.

A steady stream of deals continued to flow into the Euroyen market, which was firm despite price falls in the domestic market.

The most successful of yesterday's offerings was a Y20bn 4⅞ per cent seven-year issue for Kyushu Electric Power, led by Nomura International. Like earlier issues for Japanese utilities, the deal traded comfortably within its 7⅞ per cent fees. It was priced at 101⅞.

The other two issues attracted less attention from dealers. Mitsui Finance International led a Y10bn five-year 4⅞ per cent bond for Asea Capital Corporation, a Netherlands-based finance subsidiary of Asea, the Swedish electrical manufacturer. It was priced at 102⅞, and incorporates a borrower's call option, and investors' put option, after three years.

Daiwa led a Y10bn five-year bond for Skandinaviska Enskilda Banken. This also had a 4⅞ per cent coupon, but was priced at 101⅞.

The Australian dollar market continued buoyant, despite the heavy issuing volume of the past few weeks. Dealers are expecting the flow of new bonds to dry up in this sector soon, since swap opportunities are hard to find after the recent strong advances in the domestic Australian dollar bond market.

ANZ Merchant Bank led a A$30m 14⅞ per cent three-year issue for Landesbank Schleswig Holstein, priced at 101⅛. It traded at 100⅞ bid, well within its fees.

Banque Paribas Capital Markets led an A$125m convertible issue for Bell Group, the Australian diversified company headed by Mr Robert Holmes à Court. The 10-year deal has an indicated 10 per cent coupon sion premium. The par-priced issue traded at 99⅞ bid.

Late in the day Hambros Bank led an NZ$50m 18 per cent three-year issue for American Express Overseas Credit Corporation, priced at 101½.

Societe Generale led an Ecu 125m 10-year 7⅞ per cent deal for Eurofima, priced at 101⅛.

Credit Commercial de France led a FFr 600m 15-year bond for Copenhagen Telephone, priced at 101⅛. The coupon for the first five years is fixed at 9 per cent, but this is refixed after every five years. At these points the bond may also be put or called.

Prices in the D-Mark market rose by about ½ point following a firming of prices in the domestic market. Zero coupon bonds were particularly in demand.

In the Swiss foreign bond market prices rose slightly. A SFr 100m deal for Oesterreichische Draukraftwerke closed its first day's trading at 98¾, compared with a 100½ issue price.

Credit Suisse led a SFr 130m 14-year deal for Hoechst, the first public issue for 2½ weeks. The deal carried a 5 per cent coupon, which dealers said ensured a favourable market response. It was priced at par.

Prices of some perpetual floating rate notes firmed sharply yesterday. Dealers thought trading was largely led by professionals, pointing out that yesterday was the last chance for the US houses to deal for the first financial quarter.

Issues for the UK clearing banks were generally marked higher, with bonds for Midland and Lloyds registering the greatest gains.

Watchdog body for Amsterdam exchanges

By Laura Raun in Amsterdam

AMSTERDAM'S three leading financial markets are setting up a joint supervisory commission to co-ordinate policy and rules for exchange members and investors in a unique co-operative attempt by the securities industry to regulate itself.

The Amsterdam Stock Exchange, European Options Exchange and Amsterdam futures market announced yesterday that the Co-ordinating Commission for the Securities Industry would be established on June 1 with representatives from all three bourses.

Baron B. F. Van Ittersum, chairman of the stock exchange, said the commission arose from the greater convergence among financial markets, the need to ensure fair and orderly trading, a desire for self-government and Amsterdam's drive to compete with other international money centres.

The commission's efforts will be directed toward three main areas—co-ordination of surveillance for exchange traders and dealings, development of joint regulations in consultation with the Finance Ministry and harmonisation in such areas as training.

The watch-dog group will represent only the bourses, however, and will have no supervisory powers over activities outside the exchanges—a serious source of trading abuses in the past.

In seizing the initiative themselves, Amsterdam's financial leaders are hoping to avoid a tough crackdown by The Hague on the securities industry and to keep the Dutch markets as open as possible for new products and services. The Finance Ministry is expected to unveil a new securities trading law this year.

Baron Van Ittersum suggested that Amsterdam's joint approach to industry supervision would prove more effective than London's system of separate self-regulatory organisations (SROs) for each market. It could also give market players a bigger role in self-regulation than in the US, where the Securities and Exchange Commission, a government agency, is the main watchdog body.

Amsterdam has so far avoided the taint of insider trading scandals like those in New York and London, but its reputation has suffered at the hands of a flock of dubious share-pushing companies selling questionable or worthless stocks.

Most of these firms have been driven out of the Netherlands by a stockbrokers' licensing law that took effect on July 1 1986, but a few are thought to remain, so that restoring Amsterdam's tarnished image may take some time.

New fee feature for Irish CD

By Stephen Fidler

BARCLAYS DE ZOETE Wedd has started syndication of a £300m committed certificate of deposit issuance facility for Bank of Ireland.

In what is believed to be a new feature of such deals, participants are being invited to bid on their required underwriting fee. The maximum bid on the primary tranche of the deal will be 18.75 basis points and for a reserve tranche 12.5 basis points. The difference between the two must be 6.25 basis points.

The participation fee will be 8.5 basis points for amounts of £15m and above and five basis points on amounts below £15m.

Members of a tender panel will be invited to bid to buy CDs at a maximum London interbank offered rate, with an incentive bonus of 2.5 basis points to those participants successfully tendering for CDs with an average amount of £15m or more maturing in any six-month period.

Swiss bankers' code welcomed

By John Wicks in Zurich

THE SWISS Banking Commission yesterday expressed its "satisfaction" at the Swiss Bankers' Association's decision on Monday to extend its existing code of good conduct for a further five years.

The commission welcomed improvements in the guidelines, which come into force in October on the basis of an agreement between the association and its member banks. It refers specifically to amendments to the existing code aimed at countering what the commission sees as "privileges" hitherto enjoyed by bank clients whose connection to the bank is through a Swiss lawyer or trustee.

Tighter rules laid down in the new code foresee better identification of beneficial owners of assets deposited with Swiss banks via such intermediaries, to whom the association referred on Monday as "other persons subject to professional secrecy."

Clare Pearson on the latest source of euphoria among bond traders

Lure of Eurosterling convertibles

THE EUROBOND market has been euphoric recently about sterling convertibles issued by British companies. "It's as if people just think, 'it's a sterling convertible so it must be good,'" said one salesman.

The bullish atmosphere in both the sterling equity and fixed interest markets has ensured that not only regular visitors to the Eurobond market, but also companies that would normally be thought too little-known to venture into it, have been able to launch bonds to enthusiastic receptions.

Eleven British companies have launched convertibles since Christmas. Retailers have been particularly active, reflecting both their need for capital to fund their rapid expansion and a push to take advantage of the high current prices of their shares.

For the issuing houses, the rash of issues has come as a boon, since the returns on convertibles can be much greater than those achievable on straight Eurobond issues.

Not only are the fees higher—they usually amount to 2½ per cent for a 15-year issue—but they tend to trade at substantial premiums to issue price.

The premiums have tended to be highest where the borrower has been persuaded that it should include an investor's put option—an insurance policy for the investor in case the share price does not perform as well as the conversion premium on the bond implies. This means that the investor can demand his money back after a given number of years at a price to provide a yield comparable with that on a gilt-edged security of the same maturity.

This is likely to be only about 1 per cent below the rate the borrower would have paid on a straight fixed-rate issue. To the British companies, the deal then looks very cheap indeed. The yield to the put date still compares well with an alternative investment in the D-Mark or Swiss franc markets, and he has got a play on the borrower's equity as well.

The put option has proved controversial, however, with many corporate treasurers believing it is too high a price to pay for a successful issue, even though the coupon on the bond is reduced to compensate for it.

Mr Gareth Jones, group treasurer of Redland, which launched a £60m 7¾ per cent bond in February, points out that by including the put option, the issuer is effectively betting on its own share price performance. If this fails to rise at least as high as the conversion premium, investors will demand their money back, and this could happen at just the moment when the company is least able to pay up.

As Mr Jones points out, convertibles issued in the Eurobond market offer cost advantages over the domestic market, even without the inclusion of this feature.

British institutional investors apply rigid formulae to evaluating convertibles. For example, they normally require that the difference between the coupon on the bond and the dividend yield on the shares should compensate them for the premium that they are paying over the prevailing share price within a two-year period.

European investors will make this calculation too, but it forms only part of their evaluation process. They also look at the bond as a way into the UK equity market and the currency, which means that they are prepared to be more flexible.

The other main advantage of the Eurobond market to borrowers is the efficiency with which it can match their need for funds with issuing opportunities. This compares with the cumbersome procedures associated with issuing a domestic bond.

The third argument is that such an issue internationalises a borrower's shareholder base, although this is a point stressed more by issuing houses than by borrowers themselves.

A company that is beginning to worry about exhausting demand for its equity at home will certainly find the Eurobond market an easier route than listing its shares in the US or Japan. Yet this was unlikely to have been the most important incentive for the latest crop of convertibles.

The argument that these issues broaden the shareholders in a company obviously hinges on the existence of long-term holders abroad. In the past, overseas buyers have more often bought such deals for the sake of a quick profit.

Yet dealers say that this has not so far been noticeable in the issues for the better known British companies, if only because in most cases, investors expect the issuer's share price to improve further.

The London market has often had difficulty in getting hold of the bonds during the early distribution, partly because some issuing houses have deliberately limited the amount available in London during the initial stages.

Exactly where the paper is going in Europe is a much discussed question. Swiss investment banks have managed to obtain many of the mandates on the grounds that the biggest demand for convertibles at the moment is coming from investors based in Switzerland.

Other houses in the market tend to be sceptical about the Swiss appetite for convertibles, however. Baring Brothers, for instance, says it found stronger demand in France than in Switzerland for its latest issue for Redland.

UK CONVERTIBLE ISSUES 1987

	Amount (£m)	Issue price	Current bid price
ASDA-MFI *	120	100	[illegible]
British Land	33	101½	[illegible]
Burton Group *	110	100	[illegible]
DRG	40	100	[illegible]
Elders UK *	85	100	[illegible]
Metal Box	65	100	[illegible]
Redland Capital	60	100	[illegible]
Rowntree Mackintosh *	69	100	[illegible]
W. H. Smith	50	100	[illegible]
Storehouse *	69	100	[illegible]
Tesco *	115	100	[illegible]

* with put option

Milan brokers in move to fend off banks

BY ALAN FRIEDMAN IN MILAN

MILAN'S 130 stockbrokers yesterday urged the Consob, the Italian securities watchdog authority, to allow the creation of new types of broking firms which would group together individuals and which would be at least 51 per cent controlled by the brokers themselves.

The proposal, announced last night by Mr Ettore Fumagalli, chairman of the executive committee of the Milan bourse, is the stockbrokers' response to an attempt by big Italian banks, such as Banca Nazionale del Lavoro (BNL), to become involved as direct players on the equity market.

Mr Franco Piga, chairman of Consob, is trying to mediate between the warring banks and stockbrokers and has asked both sides to make suggestions.

The brokers, clearly afraid that the entry of banks into dealing and broking will deprive them of commission income, have hired Mr Guido Rossi, the distinguished former Consob chairman, to prepare their proposal.

As well as suggesting that the new firms become the only players in the market, the brokers are also urging that trading activity be concentrated in the official market. At present around half of all trading takes place outside the Milan bourse.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 24

	Issued	Bid	Offer	Change on day	Change on week	Yield
US DOLLAR STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Private Placement *February 1987*

TÜRKİYE SINAÎ KALKINMA BANKASI A.Ş.

(Industrial Development Bank of Turkey)

Japanese Yen Bonds-Series B (1987)

Yen 9,500,000,000

Guaranteed by

The Republic of Turkey

Arranged by

The Nikko Securities Co., Ltd. **The Mitsui Bank, Limited**

Yamaichi Securities Company, Limited

The Yasuda Trust and Banking Company, Limited

City banks win concession on common cards

THE GROWING cash card and credit card business in Japan is in for further upheaval following the Government's decision this month to deregulate the card operations of the 13 Japanese "city" or commercial banks.

The decision means that the city banks will each be able to issue one common card for cash dispensing, credit and cash advances—services that now must be offered on different cards. It is also providing opportunities for the international card operators, such as American Express and Citibank.

Until now, only Japan's regional and mutual banks and the postal savings system have been allowed to issue common cards. Complaints by the big banks about the inequity of this situation was one reason for the deregulation. A Ministry of Finance official admitted that there was no justifiable reason for preventing the big banks from issuing common cards.

Pressure has also come from the US Government, which wants the Japanese economy to become more dependent on domestic demand. US authorities argue that simpler credit and payment systems will stimulate consumer spending.

Yoko Shibata on the deregulation of the fast growing plastic money business in Japan

Cards are already very big business in Japan. According to the Japan Credit Industry Association, some 97m credit cards had been issued by the end of March 1986 by various credit companies affiliated with banks, hire purchase companies and retailers. In addition, there were 100m cash cards. However, great growth potential is still thought to exist because the Japanese have only 0.7 cards per head compared with three per person in the US.

The banks are now in the process of forming affiliations with credit card companies for the new common cards. Many will merge their cash cards with credit cards issued by affiliated companies. For instance, Dai-Ichi Kangyo Bank (DKB) and Fuji Bank will pick up the UC credit card issued by Union Credit, which they own together with Taiyo Kobe Bank and Saitama Bank, two regional banks.

Sumitomo Bank will merge its cash card with Visa, Mitsubishi Bank will take the DC card from its Diamond Credit affiliate and Sanwa Bank the Japan Credit Bureau (JCB) card. Mitsui Bank, which is in both the JCB and UC groups, and Kyowa which is affiliated with Visa and JCB, say they will leave the election up to the customer.

Early this week, the six banks that finance JCB—Sanwa, Mitsui, Taiyo Kobe, Kyowa, Daiwa and Hokkaido Takushoku—agreed with American Express to allow use of their cash dispensers for cash advances with the Japanese-issued American Express card. The service, providing loans of up to Y500,000 ($3,280) to cardholders, will start late this month or in early April.

The deal will boost the number of cash dispensers and automatic teller machines available to Amex cardholders to 7,000, including those of DKB which concluded a similar accord with Amex last December. At the same time, 138 Amex cash dispensers in 16 countries, including four in Japan, will be made available to the JCB members.

Meanwhile, Citicorp is entering Japan's credit card market with its Gold Citicard from next month in a tie-up with UC and MasterCard International. In addition to UC's 70 cash dispensers, Citicard holders will have access to some 5,100 machines belonging to the four UC member banks. The Citicard holders will also be able to buy on credit at 520,000 Union Credit affiliated shops in Japan.

Although the banks and credit companies are now preparing to issue common cards, the process is likely to take some time because of the need to modify dispensers, the computer systems to deal with the new cards, and the automatic customer credit assessment machines.

Mr Yoshiro Araki, chairman of the Federation of Bankers' Association, predicts that the common cards will not be issued before the middle of next year. He says the banks have many other urgent projects, including adjusting to the new competitive environment that will be created by the planned abolition of tax exemption on small savings and the proposed introduction of a sales tax.

Santos profits down more than a third

BY OUR FINANCIAL STAFF

SANTOS, the Adelaide-based oil and gas producer which has been acting to stengthen its control over the strategic Cooper Basin fields, was sharply affected 1st year by the downturn in petroleum product prices.

On revenues down 21 per cent to A$400.42m, net profits fell by more than a third to A$88.67m (US$61m) from A$144.04m in 1985, when a when a total dividend of 20 cents per share was paid. The latest final payout is being deferred until July when tax arrangements are due to come into force which Santos expects to be more advantageous.

The final distribution, it said, was not expected to be less than 9 cents per share — at that level the aggregate payment would be reduced to 16 cents, paid from earnings per share of 37 cents against 60 cents.

These profits were struck before extraordinary charges substantially reduced from A$53.40m to A$6.49m.

Santos yesterday received a rebuff from TMOC Resources, the smaller Cooper Basin operator for which it is bidding some A$248m. TMOC, formerly called Moonie Oil, said the A$4 per share bid fell below the underlying value of A$4.08 to A$4.72 as assessed by Macquarie Hill Samuel, from which it is seeking renewed advice.

TMOC urged shareholders in the meantime not to accept the offer launched by Santos on Monday as a challenge to a A$2.55 a share bid from Elders Resources, which already owns 19.9 per cent of TMOC. Santos is itself 15 per cent owned by Elders Resources.

TMOC put Santos's current holding at only 3.07 per cent, which it said was despite paying up to the A$4 bid level in market purchases of shares in its target.

Sir Brian Massy-Greene, the Santos chairman, said his company had been dealing with the adverse trading climate by increasing production, particularly of oil and liquefied petroleum gas, as well as reducing operating costs and scaling back oil exploration and development outlays.

● Shell Australia, wholly owned by Royal Dutch/Shell, yesterday reported a 31.4 per cent drop in 1986 net profits to A$45.79m. Mr Kevan Gosper, the chairman, said this reflected heavy reliance on downstream oil and chemicals, poor coal and metal returns, and the financial burden of the North-West Shelf project where it is in partnership with Broken Hill Proprietary through Woodside Petroleum.

Advance by Malaysian shipping group

By Our Financial Staff

MALAYSIAN International Shipping Corporation (MISC), which gained a Kuala Lumpur Stock Exchange listing a month ago, has reported group net profits up by nearly a half last year to 237.5m ringgit (US$94.3m).

MISC, a previously state-controlled group, gained its quotation after turning round from losses incurred in the early to mid-1980s despite an intensified world shipping recession. A large part of its earnings come from the operations of its five liquid natural gas tankers.

Turnover for 1986 grew from 974.4m ringgit to 1.22bn ringgit, and shareholders are to be offered a final dividend of 5 cents per share.

● The state-controlled Pakistan National Shipping (PNS) has disclosed a slide into negative net worth after a run of cumulative losses.

Its annual report for the year to last June shows an aggregate loss of PRs 682.9m ($39.3m) as a deficit carried forward from previous years engulfed a small trading profit of PRs 26.5m. This itself was an improvement on PRs 8.9m earned for 1984-85, but that year ended with a PRs 708.4m loss carryover.

Sharp fall in Israel Discount earnings

Israel Discount Bank, the country's third largest, has reported consolidated net profits down sharply last year to 2.4m shekels ($1.49m) from 40.2m shekels, Reuter reports from Tel Aviv.

The bank attributed the decline in part to the reduction in the spread permitted on local currency transactions and the virtual freeze on bank commissions.

Provisions for doubtful debts came to 47.6m shekels, half the 1985 figure. Capital totals 684m shekels.

Singapore metal group well ahead

National Iron and Steel Mills, the Singapore metal products group, boosted net profits nearly sevenfold last year to S$20.7m (US$9.67m) from S$3m, AP-DJ reports from Singapore.

It said performance improved because of lower operating costs and increased exports. Turnover rose 7.4 per cent to S$257.6m.

Attributable profits were S$26.2m against S$13.6m after reduced extraordinary gains. An annual dividend of 15 cents compares with 8.96 cents in 1985.

Issue for Novel Enterprises oversubscribed

Novel Enterprises, a leading Hong Kong textile group, has reported a 23.2 times oversubscription to its HK$285m (US$36.5m) share flotation, Our Financial Staff writes.

It offered 142.4m shares, representing 25 per cent of the company, to the public in an issue linked to a 11.5m share placement with Marubeni, its Japanese trading house customer. A further large flotation in the territory's garment sector is expected from Laws Fashion Knitters.

All of these securities have been sold. This announcement appears as a matter of record only.

March 1987

2,550,000 Shares

TELEMATICS

Common Stock

This portion of the offering was offered in the United States and Canada by the undersigned.

2,050,000 Shares

Alex. Brown & Sons Incorporated — Robertson, Colman & Stephens

Bear, Stearns & Co. Inc. — The First Boston Corporation — Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation — Drexel Burnham Lambert Incorporated — Goldman, Sachs & Co.
Hambrecht & Quist Incorporated — E. F. Hutton & Company Inc. — Kidder, Peabody & Co. Incorporated
Lazard Frères & Co. — Merrill Lynch Capital Markets — Montgomery Securities
Morgan Stanley & Co. Incorporated — PaineWebber Incorporated — Prudential-Bache Capital Funding
Salomon Brothers Inc — Shearson Lehman Brothers Inc.
Smith Barney, Harris Upham & Co. Incorporated — Wertheim Schroder & Co. Incorporated — Dean Witter Reynolds Inc.
Allen & Company Incorporated — William Blair & Company — Dain Bosworth Incorporated — A. G. Edwards & Sons, Inc.
Oppenheimer & Co., Inc. — Piper, Jaffray & Hopwood Incorporated — The Robinson-Humphrey Company, Inc.
Thomson McKinnon Securities Inc. — Wheat, First Securities, Inc.
Advest, Inc. — Arnhold and S. Bleichroeder, Inc. — Robert W. Baird & Co. Incorporated
Bateman Eichler, Hill Richards Incorporated — Sanford C. Bernstein & Co., Inc. — Blunt Ellis & Loewi Incorporated
Boettcher & Company, Inc. — Butcher & Singer Inc. — Cazenove Inc. — The Chicago Corporation
Cowen & Co. — R. G. Dickinson & Co. — Eberstadt Fleming Inc. — First Albany Corporation
First Manhattan Co. — Howard, Weil, Labouisse, Friedrichs Incorporated — Interstate Securities Corporation
Janney Montgomery Scott Inc. — Johnson, Lane, Space, Smith & Co., Inc. — Johnston, Lemon & Co. Incorporated
Kleinwort Benson Incorporated — Legg Mason Wood Walker Incorporated — McDonald & Company Securities, Inc.
Morgan Keegan & Company, Inc. — Moseley Securities Corporation — Neuberger & Berman
Nippon Kangyo Kakumaru International, Inc. — The Ohio Company — Raymond, James & Associates, Inc.
Rothschild Inc. — Stephens Inc. — Sutro & Co. Incorporated — Tucker, Anthony & R. L. Day, Inc.
Anderson & Strudwick Incorporated — Baldwin Capital Partners — JW Charles-Bush Securities, Inc.
Carolina Securities Corporation — Robert C. Carr & Co., Inc. — First Equity Corporation of Florida
Gabelli & Company, Inc. — J. J. B. Hilliard, W. L. Lyons, Inc. — Investment Corporation of Virginia
Morgan, Olmstead, Kennedy & Gardner Incorporated — Needham & Company, Inc. — Parker/Hunter Incorporated
Scott & Stringfellow, Inc. — Swergold, Chefitz & Sinsabaugh, Inc.

This portion of the offering was offered outside the United States and Canada by the undersigned.

500,000 Shares

Alex. Brown International Incorporated
Robertson, Colman & Stephens
Hambros Bank Limited

Algemene Bank Nederland N.V. — Banca del Gottardo — Banque Indosuez
Banque Paribas Capital Markets Limited — Baring Brothers & Co., Limited
Credit Suisse First Boston Limited — Morgan Grenfell & Co. Limited — Pictet International Ltd
Scrimgeour Vickers & Co. — J. Henry Schroder Wagg & Co. Limited

Kingdom of Denmark

(the "Kingdom")

NOTICE

to the holders of

Japanese Yen 15,000,000,000
8 1/4 per cent. Bonds due 1st May, 1992 (the "Bonds")

EARLY REDEMPTION ON 1ST MAY, 1987
of all the Bonds by the Kingdom

NOTICE IS HEREBY GIVEN to the holders of the Bonds (the "Bondholders") that, in accordance with Terms and Conditions endorsed on the Bonds (the "Conditions"), the Kingdom will on 1st May, 1987 (the "redemption date") redeem all of the Bonds then outstanding at 101 per cent. of their principal amount together with interest accrued to such date (being an aggregate of Yen 546,250 for each Bond of Yen 500,000). Payments of principal, premium and accrued interest will be made on and after the redemption date in the manner provided in the Conditions against surrender of Bonds and Coupons No 5 due on 1st May, 1987 and all subsequent Coupons appertaining thereto at the specified office of any of the Paying Agents listed below. Failure to surrender any such subsequent Coupon(s) will result in the amount of such Coupon(s) being deducted from the sum due for payment on the redemption date.
The attention of the Bondholders is drawn to the Conditions and in particular to Condition 5 which contains further details regarding redemption.

FISCAL AGENT AND PRINCIPAL PAYING AGENT

The Bank of Tokyo, Ltd.,
3-2, Nihombashi Hongokucho,
1-chome, Chuo-ku,
Tokyo.

ADDITIONAL PAYING AGENTS

The Bank of Tokyo, Ltd.,
London Office,
Northgate House,
20-24 Moorgate,
London EC2R 6DH.

The Bank of Tokyo, Ltd.,
Paris Office,
4-8 Rue Sainte Anne,
75001 Paris.

The Bank of Tokyo (Holland) N.V.,
Keizersgracht 603,
P.O.Box 792,
Amsterdam 1000 AT.

Morgan Guaranty Trust Company of New York,
Avenue des Arts 35,
B-1040 Bruxelles.

Kredietbank S.A. Luxembourgeoise,
43 Boulevard Royal,
Luxembourg.

Kingdom of Denmark
by The Bank of Tokyo, Ltd. as Fiscal Agent

Dated March 25, 1987

Hanson Trust PLC

has acquired

Kaiser Cement Corporation

The undersigned acted as financial advisor to Hanson Trust PLC and as Dealer Manager for the tender offer.

ROTHSCHILD INC.

Affiliated companies in
London Paris Zurich Hong Kong Singapore Sydney

March 12, 1987

هكذا من الأصل

هكذا من الأصل

CONTRACTS

Peterborough distribution centre

NFC CONTRACT DISTRIBUTION has signed a five-year £9m warehouse management contract with Batchelors Foods. The agreement involves the management and operation of a single, national secondary distribution centre for Batchelors in Peterborough. The purpose-built centre will replace two existing distribution operations at Ashford, Kent, and Worksop Nottinghamshire, previously operated by Batchelors. NFC Contract Distribution is to be responsible for all operations at the centre. This includes leasing the property on behalf of Batchelors, together with warehouse management, picking and assembly of orders and loading of delivery vehicles.

*

BOVIS CONSTRUCTION has been awarded a £450,000 contract by the Worshipful Company of Girdlers. The project, due for completion in September, involves demolition of a building in King Street, Hammersmith, retaining the front facade, and construction of a three-storey retail shell with a reinforced concrete frame and brickwork infill.

*

Contracts worth more than £8m have recently been won by the OSBORNE GROUP. They include a three-storey office village development at Harrow for County Town Investments (£1.8m); a superstore at Worthing for CCL (£2.4m); office refurbishment at Albany House, Petty France, London (£800,000); and a "measured term contract" for the PSA Portsmouth which extends over three years (£1.5m). Osborne's design and build section has been awarded fast-track contracts worth £1.6m to refurbish 12 stations for British Rail (Southern). This is part of a three-year improvement plan designed to brighten up the old stations on BR's Southern network. Work has already begun at Oxted station, while the remaining 11 stations are still at the design stage.

*

DOW-MAC CONCRETE has gained two orders worth £1.5m. The largest is for a pre-cast concrete multistorey car park, worth almost £1m, for MEPC Developments at Crown Fields, Meadow Road, Tunbridge Wells. The design is in keeping with the architecture of Royal Tunbridge Wells. There is a complex brick elevation with curved panels and the stair and lift towers will have glazed elevations.

*

The two principal aircraft servicing and storage depots operated by the Royal Air Force in the UK — at Abingdon and St Athan — and the signals engineering establishment at Henlow are increasing their investment in ICL. The total value of the new orders placed with ICL is about £2m. Installation of new software and information processing systems is now under way.

*

De La Rue's subsidiary, CROSFIELD ELECTRONICS has won a contract worth US$7m (£4.37m) from "Dagens Nyheter," Sweden's largest newspaper, for editorial and classified front-end systems. In addition Mr Robert Maxwell has ordered terminals and associated computers for the Mirror Group Newspapers. This follows the use of Crosfield equipment in the launch of the "London Daily News." The Daily News and Mirror Group contracts are together worth a further $7m (£4.37m).

*

Mobil Oil Company has awarded a £6.5m contract to a joint-venture comprising MOWLEM ENGINEERING (part of The Mowlem Group) and R. T. ROLATRUC for a major project at Mobil's lubricants blending plant at Birkenhead. The joint venture will involve the upgrading of the materials handling system and the construction of a 25 metre high bay warehouse complex. The materials handling and warehouse complex has been designed to automate the movement of packaged product within the plant. The automated system will be under the control of a central warehouse management computer which will control all activities within the lateral movement. The facility is scheduled to be in operation by the last quarter of 1988.

*

The Jordan Electricity Authority (JEA) has awarded a contract to ASEA TRANSMISSION, Sweden, for an energy management system (EMS) for its national control centre. To contract is valued at about SKr 50m (£5m). Asea's deliveries will comprise a Sindac 5 Energy Management System. Besides the EMS will include a range of advanced application functions, such as network modelling, operator's load flow and load forecasting. Asea's undertakings also include extensive training of JEA personnel. The EMS will initially cover 32 power stations and substations. Each station will have its own remote terminal unit (RTU), of which 21 are already installed. Asea will also supply a further 11 new RTUs of the Celector 400 type.

*

The Hackensack Water Company, based in Hackensack, NJ, US, has placed an order worth more than US$6m (£3.7m) for the supply of meter interface units manufactured by BASE TEN TELECOM INC. The meter interface units will be used to read water meters using customers' existing telephone lines without interfering with the subscribers' normal telephone usage.

*

A £1.8m contract to develop and produce common control units for the Royal Navy's new EH101 helicopter programme has been won by RACAL AVIONICS. Awarded by Westland Helicopters on behalf of European Helicopter Industries (EHI), the contract comprises four common control units, cursor control devices and four auxiliary keyboards per helicopter. This equipment will form the vital man-machine interface between the operator and the aircraft's mission management systems.

Racal is also developing electronic support measures equipment, cabin mission displays and Doppler velocity sensors for the EH101 programme in a total work package shared between the UK and Italy. Racal Radar Defence Systems will provide the electronic warfare equipment and cabin mission displays. Racal Avionics is to supply a specially developed variant of the advanced Doppler 91 velocity sensor and the common control units.

APPOINTMENTS

Senior Harris Queensway post

HARRIS QUEENSWAY has appointed Mr Roger Fedder managing director of the group's electrical division with special responsibility for new ventures. He was a director of Ward White with responsibility for the multiple operating group.

*

Mr J. J. (John) Wilson, commercial accountant, has been appointed commercial director, MARDON FLEXIBLE PACKAGING, Midsomer Norton.

*

Western Australia gold producer NORTH KALGURLI MINES has appointed Mr Peter W. Tress as a director.

*

The BRITISH GAS On Line Inspection Centre has appointed Mr Syd Winship as marketing manager. He was managing director of Munck UK.

*

Mr Alan G. Mackay has been appointed managing director of PARTRIDGE MUIR AND WARREN. He was managing director of the financial services division of Barry Birch and Noble.

*

NORBAIN ELECTRONICS, Reading, has appointed Mr Peter Ryan as its first non-executive director.

*

Mr J. Michael Taylor, who joined HICKSON INTERNATIONAL in January 1986 from Worley, has been appointed to the board. Sir Robert Clark, a director, has retired.

*

BANK OF AMERICA has appointed Mr George Metcalfe as director of communications for Europe and the Middle East. He was previously communications manager.

*

Following the acquisition by GREAT PORTLAND ESTATES of half the share capital of Bride Hall Group, Mr Richard Peskin, chairman and managing director of Great Portland, has joined the board of Bride Hall, and Mr Danny Desmond, chairman and chief executive of Bride Hall, has joined the board of Great Portland.

*

The NATIONAL ASSOCIATION OF SECURITIES DEALERS has appointed Mr J. Lynton Jones to be its European executive director. He is head of public affairs of the London Stock Exchange and will assume his new duties in mid-1987.

*

Mr P. A. Armstrong has been appointed to the Board of DEVITT GROUP from April 10.

*

Mr John Naylor has been appointed commercial director of SEIFERT ENVIRONMENTAL DESIGN, a member of the Seifert Group.

TOKYO TRUST S.A.

FINAL DIVIDEND

A Final Dividend of U.S.$0.09 per share will be payable on 13th April 1987 to holders on the Register on 23rd March and to holders of the Bearer Shares against presentation of coupon No. 28 at the Paying Agents:

Singer & Friedlander Ltd
21 New Street, London EC2M 4HR
or
Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal, Luxembourg

By order of the Board,
TOKYO TRUST S.A.

A FINANCIAL TIMES SURVEY

PORTSMOUTH

The Financial Times proposes to publish a survey on the above on FRIDAY MAY 8 1987

For full details please contact:
ANDREW WOOD
on 01-248 8000 extn 4129
or write to him at:
Bracken House, 10 Cannon St
London EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor

IRELAND
U.S. $100,000,000
Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next six months 24th March, 1987 to 24th September, 1987 has been fixed at 6 1/4 per cent per annum. The Coupon Amount payable on Coupon No. 11 will be US$3,418.06.

THE SUMITOMO BANK, LIMITED
Reference Agent

NOTICE OF REDEMPTION

JAPAN AIR LINES COMPANY, LTD.
(Nippon Koku Kabushiki Kaisha)
(the "Company")

U.S. $42,150,000 10¼ per cent. Guaranteed Bonds due 1998
(The "Bonds")

NOTICE IS HEREBY GIVEN, that the following Bonds of the Company, in the aggregate principal amount of U.S. $500,000, have been drawn for redemption on April 28, 1987 (the "Redemption Date") for account of the Sinking Fund at a redemption price (the "Redemption Price") of 100% of the principal amount thereof.

SERIAL NUMBERS OF BONDS CALLED FOR REDEMPTION

91	1849	3676	5183	6459
208	1924	3687	5196	6545
348	1946	3697	5281	6556
432	2019	3740	5285	6684
561	2164	3764	5307	6705
570	2228	3779	5347	6789
578	2526	3787	5403	6792
975	2529	3841	5471	6803
1112	2568	3856	5488	6850
1245	2611	4131	5745	6863
1350	2848	4189	5792	7353
1421	2864	4237	5795	7518
1458	2871	4239	5814	7776
1465	2906	4267	5858	7946
1563	2968	4268	5859	8057
1598	3079	4372	5886	8095
1674	3138	4502	5892	8104
1707	3216	[illegible]	6181	8106
1730	3272	[illegible]	6240	8141
1784	3315	[illegible]	6370	8178

Payment of the Redemption Price will be made upon presentation and surrender of the Bonds called for redemption, together with all coupons appertaining thereto maturing after April 28, 1987, at the principal office in the city indicated of any of the following Paying Agents:

The Bank of Tokyo, Ltd. in Paris
The Industrial Bank of Japan Limited in London
The Bank of Tokyo, Ltd. in Brussels
The Industrial Bank of Japan (Luxembourg) S.A. in Luxembourg
Bank of Tokyo (Switzerland) Ltd. in Zurich
Industriebank von Japan (Deutschland) A.G. in Frankfurt/Main

On and after the Redemption Date, interest on the Bonds to be redeemed for this Sinking Fund will cease to accrue. The coupon for interest payable on April 28, 1987 should be detached and presented for payment in the usual manner.

JAPAN AIR LINES COMPANY, LTD.
By: The Bank of Tokyo Trust Company as Fiscal Agent

Dated: March 25, 1987

This notice complies with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.

£200,000,000

TMC Mortgage Securities No.1 PLC
(Incorporated with limited liability in England and Wales)

Mortgage Backed Floating Rate Notes due 2014

The following have agreed to subscribe for the Notes:

Salomon Brothers International Limited **S.G. Warburg Securities**

Barclays de Zoete Wedd Limited **Caisse Nationale de Crédit Agricole** **Cater Allen Limited**
Chemical Bank International Group **Clive Discount Company Limited**
County NatWest Capital Markets Limited **Creditanstalt-Bankverein**
Kredietbank International Group **Lloyds Merchant Bank Limited**
Sumitomo Trust International Limited **Yasuda Trust Europe Limited**

Application has been made to the Council of The Stock Exchange for the Notes, issued at a price of 100 per cent., to be admitted to the Official List, subject only to the issue of the Global Note.

Interest on the Notes is payable quarterly in arrear. The first payment falls due on 30th June, 1987.

Listing Particulars relating to the Notes and the Issuer are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 8th April, 1987 from:

TMC Mortgage Securities No. 1 PLC, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SR
The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD
Nivison Cantrade Limited, Bartlett House, 9-12 Basinghall Street, London EC2V 5NS

25th March, 1987

Eni - Ente Nazionale Idrocarburi - has retained PARIBAS to assist with the privatization of

Lanerossi Group

The activities of the Group, by company and area of activity, are as follows:

Company	*Area of activity*	*Location*	*Number of personnel (31.12.86)*	*Turnover in billions of Lira*
1. LANEROSSI SpA	– Wool combing and spinning	Vicenza Piovene Schio	1,429	141.4
	– Wool weaving	Schio (Vicenza)	999	116.0
	– Blankets	Schio (Vicenza)	177	17.3
	– Furnishing fabrics	Pievebelvicino (Vicenza)	90	5.6
	– Carpets and rugs	Marano Vicentino (Vicenza)	227	31.3
2. MARLANE SpA	– Wool spinning and weaving	Praia a Mare (Cosenza)	523	27.8
3. I COTONI DI SONDRIO SpA	– Cotton spinning and weaving	Sondrio	955	97.7
	– Work clothes	Berbenno (Sondrio)		
4. LEBOLEMODA SpA	– Clothing	Arezzo Rassina (Arezzo)	2,615	169.8

Any company interested in the purchase of any of the above firms are invited to contact PARIBAS before 31/3/87 at the following address: Banque PARIBAS, 3 rue d'Antin, 75002 PARIS - France - attention of M. Philippe DUTEIL - Tel. (1) 42.98.07.02, who will supply interested parties with all the necessary details concerning the sale of the LANEROSSI Group.

PARIBAS

This advertisement complies with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to subscribe for or purchase any securities. The securities referred to below have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered directly or indirectly in the United States of America, its territories or its possessions or to United States persons.

SAAB-SCANIA

SAAB-SCANIA AKTIEBOLAG
(Incorporated in Sweden with limited liability)

U.S.$150,000,000

7¾% Bonds due 1992

The following have agreed to subscribe for the Bonds:

Morgan Guaranty Ltd — Enskilda Securities Skandinaviska Enskilda Limited
Merrill Lynch International & Co. — Swiss Bank Corporation International Limited
Bankers Trust International Limited — Banque Bruxelles Lambert S.A.
Banque Generale du Luxembourg S.A. — Banque Nationale de Paris
Bergen Bank A/S — Citicorp Investment Bank Limited
Credit Commercial de France — Credit Lyonnais
Credit Suisse First Boston Limited — Deutsche Bank Capital Markets Limited
EBC Amro Bank Limited — Generale Bank
Goldman Sachs International Corp. — Kansallis-Osake-Pankki
Morgan Stanley International — Nomura International Limited
Orion Royal Bank Limited — Privatbanken A/S
Salomon Brothers International Limited — Svenska Handelsbanken PLC
Union Bank of Switzerland (Securities) Limited

Application has been made to the Council of The Stock Exchange for the Bonds, issued at 101.75 per cent. of their principal amount, in bearer form in the denominations of U.S.$5,000 and U.S.$50,000 each or in registered form in denominations of U.S.$5,000 or any integral multiple thereof, to be admitted to the Official List. Interest on the Bonds will be payable annually in arrears, the first payment being due on 2nd April, 1988.

Listing Particulars relating to the Bonds and the Issuer are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 8th April, 1987 from:

Morgan Guaranty Ltd, 30 Throgmorton Street, London EC2N 2NT
Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN
Morgan Guaranty Trust Company of New York, Morgan House, 1 Angel Court, London EC2R 7AE

25th March, 1987

UK COMPANY NEWS

P and O advances to £174m

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE Peninsular and Oriental Steam Navigation Company yesterday announced pre-tax profits of £174.1m for 1986, up £48.5m on the previous year, on turnover up from £1.63bn to £1.95bn.

In addition, the board allocated £4.4m from pre-tax profits to the group profit sharing scheme, up £1.4m on 1985.

The figures were in line with market expectations, following the group's better-than-expected interim results, when pre-tax profits rose £11.3m to £69.8m.

Earnings per share were up by 19 per cent from 34.9p to 41.5p per £1 of deferred stock.

The board recommended a final dividend of 11.5p, slightly total dividend for the year of 19p, compared with 18p last year.

Much of the improvement was in the service sector, including the European transport division, and the Earl's Court, Olympia and Sutcliffe Catering group.

Bovis Construction and Bovis Homes were said to have had a particularly good year, and there were also increased earnings from the Town and City property subsidiary.

Sir Jeffrey Sterling, chairman, announced proposals to mark the group's 150th anniversary by an issue of share warrants to holders of deferred and convertible stock.

The warrants would be issued at the rate of 10 for every £150 nominal of deferred stock held. Holders of convertible stock would receive 10 warrants for every £150 nominal of deferred stock which would be held following the exercise of conversion rights.

The warrants would give shareholders the right to subscribe for £1 nominal of new deferred stock at a fixed price of 750p during a specified period in any of the five years following 1988.

P and O said around 27m warrants would be issued to some 110,000 shareholders. The warrants are expected to be listed on the London Stock Exchange, where a market already exists in earlier P and O warrants.

Sir Jeffrey said the price set for the warrants was intended as a marker for the future performance of the group. The issue would bring in £200m if fully subscribed.

"If we succeed in the way we expect to and the share price rises people will be able to take up the warrants. In the meantime they can be traded in the market," he said.

See Lex

Prudential expands by 62% to £178m

BY NICK BUNKER

Prudential Corporation, the insurance and financial services group, increased pre-tax profits by 62 per cent in 1986 to £178.1m (£110.1m).

The strong improvement was based on what Mr Brian Corby, group chief executive, called the Prudential's "best general insurance result for seven years."

Underwriting losses on non-life insurance fell from £131.8m to £99.9m, leaving a 1986 general insurance trading loss of £5.1m (£53.4m).

Shareholders' profits on long-term business (life assurance, pensions and related activities) were £145.5m (£137.7m), with income from UK investment management quadrupled at £8.4m.

1986 long-term business results included revenue premiums of £31.9m from Jackson National, the US life company bought by the Prudential last year. It contributed £0.6m pre-tax profits for the month from the date of acquisition.

Tax and minorities for the Corporation totalled £60.5m (£32.7m), leaving a profit attributable to shareholders of £117.6m (£77.4m). Earnings per share were 34.4p, against 24.5p in 1985 after allowing for the impact of the Prudential's 1986 rights issue.

The board declared an increased final dividend of 19p per share, making 29p (24.8p) for the year.

Mercantile and General Reassurance showed a pre-tax trading profit of £4.2m, after a £15.2m loss in 1985, with the recovery due to factors including the absence of major catastrophe losses and a marked improvement in US and Canadian underwriting results.

However, Mercantile and General made a provision from reserves of £15m (1985: £5m) against exceptional claims arising from asbestosis and environmental pollution.

The Prudential reported a £2.1m pre-tax operating loss arising from its rapid expansion last year of Prudential Property Services, its 383-branch estate agency chain created by acquisitions in the past 18 months.

It said that it intended to buy further estate agencies to make a total of about 640 by the end of 1987, with an eventual target of about 800.

In the UK, general insurance premiums written rose 8 per cent, with a pre-tax trading loss cut from £25.2m to £14.2m, with the improvement largely attributable to the domestic property account.

In motor business, however, the Prudential report worsened trading loss of £5.3m, in spite of substantial premium rate increases.

An increase of 3 per cent was applied in January 1987, and a further 3 per cent increase will be applied in April. Claims frequency had continued to increase, being 10 per cent higher than in 1985.

● comment

The mere 3p rise in the eighty Pru's share price (which closed last night at 935p) has a churlish air, but no doubt reflects concern over the sources of its 62 per cent pre-tax improvement. In its new incarnation as a financial services group, the Pru still looks too much like the old composite insurer, with its dependence on general insurance results. The underlying profit from long-term business rose just 12 per cent, after including the largely non-recurrent gains to shareholders from special reversionary bonuses in 1986 and 1985. The Pru yesterday pointed proudly to the fact that its field staff more than doubled their sales of Holborn Unit Trusts from £74.5m to £165.1m. Yet a question mark still hangs over the Pru's powers to extract extra sales productivity from its home service premium-collectors. Mercantile and General used reserves to provide an extra £15m against possible losses, but the Pru found it hard to assuage concern that there could be more reserve bolstering to do, which might impact in future directly on pre-tax profits.

Rockwood

Rockwood Holdings, the USM quoted industrial and security company formerly known as HB Electronic Components, announced that it was in the advanced stages of negotiation for a major acquisition and asked for its shares to be suspended.

It also announced pre-tax profits for the year to December 31 1986 up from £1,000 to £154,000 on turnover up 21 per cent from £4.66m to £5.66m. The shares were suspended at 108p, up 5p on the day.

After tax of £52,000 (£1,000), earnings per share came to 1.29p, against nil last time. There will be no dividend.

Wolstenholme Rink leaps

Wolstenholme Rink, a manufacturer of printing materials, more than doubled its pre-tax profits from £1.3m to £2.66m in the year to December 31 1986. Group turnover moved ahead from £23.65m to £28.89m.

Mr Tony Rink, joint managing director, said that Wolstenholme Bronze Powders had made a strong recovery in profits, assisted by favourable currency movements and product improvement in bronze powders.

He said that the group was confident of further progress, although much would depend on the retention of a competitive currency, coupled with reasonable economic conditions in the group's main markets.

Associated companies contributed £294,000 compared with a loss of £398,000 last time. Tax amounted to £944,000 (£652,000) and an extraordinary credit of £828,000 (£1.64m debit) comprised profit on the sale of land, less re-organisation and redundancy costs. Earnings worked through at 28p (9.5p).

The directors proposed a final dividend of 6.25p (5.25p), making a total of 9p (7.75p).

Brikat profits fall

Brikat Group blamed poor trading by its business centres division for a fall in interim pre-tax profits from £534,000 to £239,000. Directors, however, said that 12 of the division's 15 outlets had been closed or sold.

They added that the USM-quoted microcomputer software and systems company had seen growth in its core businesses. Turnover for the six months to end-January 1987 rose from £5.87m to £6.52m.

Earnings per 5p share came out at 2.1p (5.7p) and the interim dividend is 0.75p (1.7p).

Tax took £132,000 (£262,000).

Profits up to £181.7m at Coats Viyella

By Mike Smith

Coats Viyella, the textiles giant created by the merger a year ago of Vantona Viyella and Coats Patons, yesterday unveiled pre-tax profits for last year of £181.7m, an increase of 21 per cent on the restated 1985 figure.

Earnings per share were helped by a lower tax charge and increased 31 per cent to 47.2p. Analysts' forecasts for both the earnings and pre-tax profits were both comfortably exceeded and shares in the company rose 22p to 617p.

Mr David Alliance, chairman, said that trading in the first three months of 1987 was ahead of last year. There would also be more benefits from the merger which had increased efficiency and enabled the company to put its brand names to better use.

Uniting Vantona Viyella and Coats Patons had not led to any jobs losses, Mr Alliance said. But savings had been made because there were "less head offices and less duplication in certain areas."

Coats said that in spite of indifferent trading conditions worldwide last year, each of its activities improved profits and margins over 1985. In the UK, which accounted for about 43 per cent of the group's pre-tax profits, productivity gains had led to increased market shares and some replacement of imports.

Overseas, conditions were mixed, with uncertainty surrounding several major economies. If 1985 exchange rates had been maintained, pre-tax profits would have been £10m or 5 per cent higher.

An analysis of the divisional operating profits showed thread and handknittings at £90.6m (£79.7m), garment manufacturing and retailing at £39.1m (£35.2m), household textiles and carpets at £19.7m (£16.6m), yarns and fabrics at £21m (£16m) and precision engineering and medical at £19.1m (£15.3m).

The pre-tax profits split by geographical area was: UK and exports £77.8m (£62.7m); Europe £18.3m (£13.6m); North America £25.2m (£20.2m); South America £38.9m (£28.2m); and Africa, Asia and Australasia £21.5m (£19.9m).

The 1986 preliminary figures include an extraordinary provision of £14.9m (£4.6m) to cover costs incurred for closure and reorganisation including schemes arising following the merger. Mr Alliance said that there would be no extraordinary costs this year as far as the company was aware.

Net borrowings at the year end were £16.8m (£88m) and net gearing was less than 2.5 per cent. Capital expenditure for 1986 was about £80m and about £90m is planned for this year.

Coats Viyella made an operating profit of £187.8m (£160.1m) in 1986 on sales of £1.75bn (£1.7bn). The pre-tax figure was struck after deducting net interest payable and investment income of £13.2m (£17.9m) and adding the share of related companies' profits of £7.1m (£7.4m). The tax charge was £48.8m (£46.9m).

The board proposes to raise the final dividend to 10p (8p) to make 14.5p (12p) for the year. A bonus share of one-for-one ordinary share is also recommended.

See Lex

Argyll sells Morton for £14m

By Lisa Wood

Argyll, the supermarket group, yesterday announced it is to sell George Morton, its UK drinks wholesaler, to Seagram United Kingdom for about £14m in cash.

The sale of George Morton marks Argyll's withdrawal from the alcoholic drinks business. It sold its US drinks business, Barton Brands, in February for about £37m to Mr Ellis Goodman, president and chief executive of Barton who owned 5 per cent of its equity.

Argyll signalled its intention to sell its drinks businesses in January when it bought the UK Safeway Stores and said it was going to concentrate on its food retailing business.

Argyll had intentions of building its drinks activities but its hostile bid for Distillers, the Scotch whisky company failed early last year when the group was taken over by Guinness.

Seagram UK said: "This acquisition is another important step in the continuing development of our business in the UK. The brands concerned, particularly OVD dark rum complement our portfolio perfectly."

OVD is the brand leader in the dark rum market in Scotland

The agreement to sell George Morton is conditional upon the Office of Fair Trading indicating there is no intention of referring the acquisition to the Monopolies and Mergers Commission.

Std Chartered falls 5% after £184m bad debts

BY DAVID LASCELLES, BANKING EDITOR

BAD DEBTS in the Far East took a heavy toll on Standard Chartered Bank last year. The UK-based international bank yesterday reported a 5 per cent fall in pre-tax profits, from £268m to £254m.

The bank also revealed that the cost of fighting off the hostile takeover bid from Lloyds Bank last summer amounted to £6.9m.

Although Standard had warned that its 1986 performance would be affected in this way, the result was slightly below expectations. However, Standard managed to show an increase in profits at the post-tax level thanks to a lower tax charge. These earnings amounted to £151m, up 14 per cent on the previous year's £133m.

Standard is paying a final dividend of £3.5p, bringing the total for the year to 35p, the minimum forecast during the bid last year, marking an increase of nearly 15 per cent. The shares gained 2p to close at 779p.

The total charge for bad and doubtful debts amounted to £184m, up from £100.7m in 1985. The bulk of this went to cover loan problems in Malaysia and Singapore, where Standard has exposure to major problem companies like Pan Electric and shipping companies. This reduced the profit contribution of the Asia pacific region to just below £1m compared to £32m the previous year.

Mr Michael McWilliam, the chief executive, declined to say whether the charge included provisions against £25m of loans to the National Bank of Brunei which has been closed down by the local authorities. The bank is owned by Tan Sri Khoo Teck Puat, a former director of Standard Chartered.

However Mr McMilliam said that Standard Chartered wanted to be seen to have made substantial provisions against its doubtful loans, and had added an additional £45m of general provisions.

He said the Bank of England inquiry into its handling of the defence against the Lloyds bid was proceeding "in a comprehensive and thorough way," and he expected it to take most of this year to complete.

"I am confident that we have a good year ahead of us," he said, "though I am not making a profit forecast."

Standard Chartered includes in its results £37m of profits from Stanbic, its associate company in South Africa. The results are based on the commercial rather than the financial rand, an indication that the bank views its commitment to South Africa as a long term affair, and that it does not feel pressured by Barclays' recent withdrawal to follow suit.

● comment

Rather on the lines of Midland, Standard Chartered seems to provide when it can afford to. Perhaps the most sanguine way of reading these somewhat depressing figures is to take heart from the 20 per cent growth in operating profit, which has made room for much increased provisions while only marginally cutting into the pre-tax. The now-standard shuffle from general to specific has also produced a welcome if temporary reduction in the tax charge—and hence improved earnings. Given more tax capacity in the UK (which is to say, earnings arising there) Standard would probably have another trawl through its outstanding general provision with similar tax benefits. Meanwhile, the shares labour under the dual protection of a Bank of England inquiry and of the white squires; at 779, up 2p yesterday, they are neither up with bid-premium nor down with reality. The high level of provisions in a crucial region of the Far East is an ambigous pointer to the current year.

Clyde Petrol drops into the red

BY LUCY KELLAWAY

Clyde Petroleum, the independent oil company, yestreday announced an after-tax loss of £3.2m compared to a profit of £8.5m in 1985; declared that there would be no dividend; and struck £16.6m off the value of its assets to account for the damage done by the fall in the oil price.

It also announced a plan to reconstruct the group by creating a new holding company which would manage the group subsidiaries. The company said yesterday that the new structure would help enable it to pay a dividend in the future.

During the year, Clyde's oil production rose by 57 per cent to 9,315 barrels a day—mainly as a result of the purchase of stakes in the producing Forties and Buchan fields. These deals have strengthened the balance sheet, and by the end of the year th company had reduced its net debt from about £10m to £3m.

Clyde said that since the year end it had reached a farm-in agreement with Triton involving seven licences in France. It also said that it was in the process of forming a joint venture for all its French interests, whereby its partner would take on all the full share of the costs.

In 1986 group reserves increased from 29m barrels to 40m barrels. Cash flow was £11.1m, compared with £14.2m, and there was an operating loss of £1m, against a profit of £8.6m

● comment

A company is forced to write down its assets so heavily that it is prevented from paying a dividend, yet the shares rise by 7p to 80p. Yesterday's odd reaction to Clyde's results may mean that shareholders' attention wash elsewhere—on the bid by Santos for TMOC, which owns 15 per cent of Clyde, for instance. Alternatively, with the prospects of a bid for Clyde arising through this circuitous route fairly slim, shareholders may have been genuinely approving of Clyde's caution, and optimistic that dividends will soon be resumed. The worst must now be over for Clyde. At oil prices of £12 or more it is making money, and is likely to show a profit this year even if the Ecquador earthquake costs it £2m to £3m. After a string of solid share deals last year the company is now large enough to hold its own in the sector, and shows every sign of using its strength to grow larger. A merger with Goal may prove difficult, and in any case the value to shareholders of duplicating what they have already is doubtful.

CPU Computers

CPU Computers, distributors of peripheral computer equipment, has continued its recovery with pre-tax profits of £435,000 for the six months ended December 31 last and £580,000 for the previous 51 weeks to June 30 1986.

The group sold off its LSI Computer division in February this year and the directors stated that the group is now positioned to exploit opportunities for growth offered by being able to concentrate solely on peripheral equipment sales.

Turnover for the period was £13.68m and gross profit £8.2m. Tax charged was £287,000 leaving earngs per share of 0.8p after minorities of £51,000. There is no dividend this time but directors intend to resume payments as soon as practicable.

At the Society's annual general meeting on 24th March 1987 in Newcastle upon Tyne, Chairman Mr Fuller Osborn, CBE, was able to report that record profits last year had boosted reserves to a level that marks Northern Rock as one of the strongest building societies in the United Kingdom.

Key points emerging were:

RECORD PROFIT. A £15 million profit boosted the reserve ratio to 4.66 per cent – a very sound base by any standard.

VIGOROUS GROWTH. Total assets grew by 15.35 per cent to exceed £1.8 billion.

RECORD RECEIPTS. Investments from the public exceeded £250 million for the first time. The Society now services over three quarters of a million investors' and borrowers' accounts.

MORTGAGE SUCCESS. The Society met its targets in a highly competitive year, lending more than £429 million, almost half of which went to first-time buyers.

LOOKING FORWARD. Mr Osborn also stated that the Society had set in motion a strategic plan which he confidently anticipated would see Northern Rock through the turbulent years ahead. "Our watchword" he said, "will be the protection of the interests of investors, allied to seeking and profitably exploiting new opportunities to meet our customers' needs."

NORTHERN ROCK
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People with your interest at heart.

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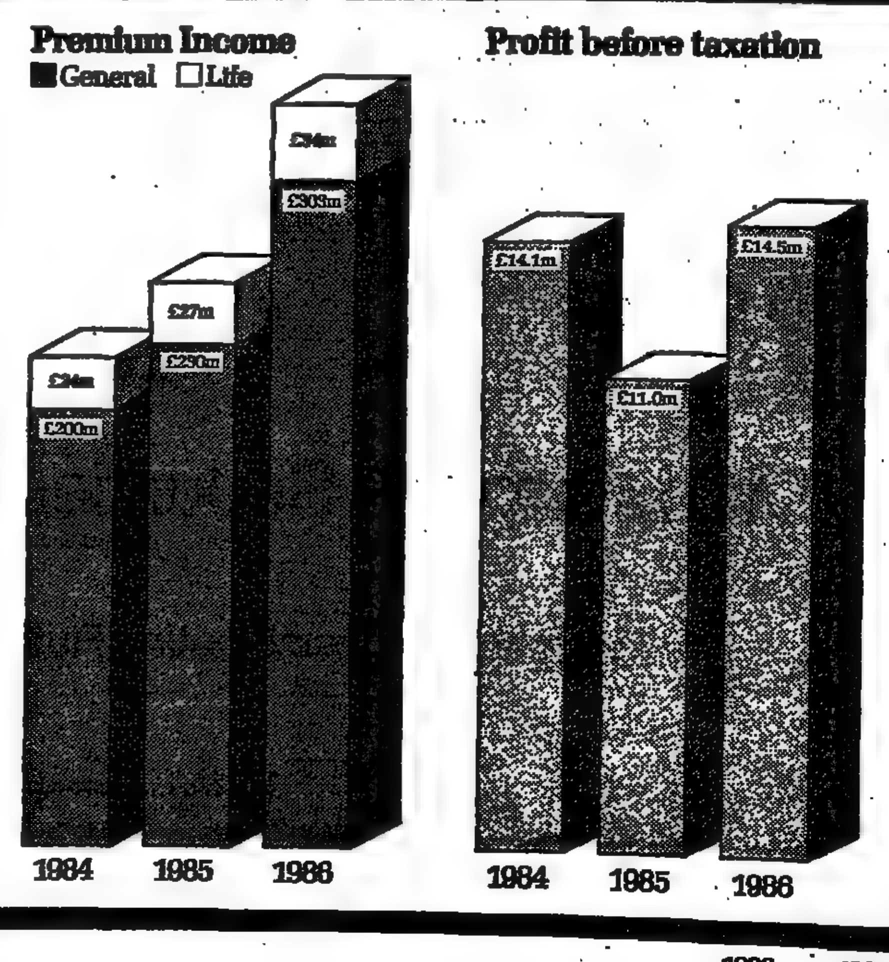
RECORD RESULTS BUILD A SOUND BASE FOR THE FUTURE

Cornhill Insurance
1986 Results



	1986 £m	1985 £m
Premium Income		
General business	303.1	230.0
Life business	34.0	27.0
	337.1	257.0
Profits		
Underwriting result	(20.0)	(20.8)
Investment income attributable to general insurance funds	23.8	21.5
General insurance profit	3.8	0.7
Shareholders' investment and other income	7.3	7.1
General business profit	11.1	7.8
Life business profit	3.4	3.2
	14.5	11.0

Cornhill INSURANCE

Copies of the Report & Accounts may be obtained shortly from the Secretary at 32 Cornhill, London EC3V 3LJ.

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All-round growth for Woolworth

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

PRE-TAX PROFITS at Woolworth Holdings increased last year by more than 40 per cent to £115.3m on turnover which rose 4 per cent from £1.76bn to £1.83bn.

The result, which exceeded the group's own forecast of last June by almost 10 per cent, included a £6.2m surplus on property disposals, the company said yesterday.

Earnings per share rose 25 per cent to 47.1p, compared with 37.7p last time. The board is recommending a final dividend of 11p, in line with expectations, making a total of 16p (10p in 1985-86).

It is also recommending a sub-division of the ordinary shares from 50p to 25p each. The split is expected to improve the marketability of the shares, which closed 12p higher last night at 854p.

Mr Geoffrey Mulcahy, group chief executive, said the results represented a major step towards making the company the most profitable retailing group in Britain.

B&Q, the do-it-yourself retailer, maintained its recent progress. Sales rose 31 per cent and retail profits were 37 per cent higher at £45.5m.

With 29 new stores opened during the year, and similar expansion plans for this year, B&Q was now more than half as big again as Texas, the Ladbroke subsidiary, Mr Mulcahy claimed.

He said out-of-town DIY outlets would command 50 per cent of the home improvement market by 1990, compared with 26 per cent at present.

The Comet electrical chain, under new management, and aiming to add 30 more stores this year, increased profits by 46 per cent to £17.4m on a sales increase of 8 per cent.

Woolworth's high street stores, slimmed down and benefiting from the Focus merchandising strategy, more than doubled profits to £38.7m.

Woolworth Properties produced income of £49.4m, compared with £48m last year. The company said its activities in property development would increase substantially as a result of the joint venture agreement signed last December with Rosehaugh. The deal involves the joint exploitation of prime town-centre sites worth some £700m.

Mr Archie Norman, group finance director, said the property arm expected to have 500,000 sq ft of space under or awaiting development by the end of the year.

Capital investments last year totalled £145m, Mr Mulcahy said, compared with £124m in the previous 12 months. Interest charges rose from £28.7m to £31.1m after allowing for capitalised interest of £4.9m (£2.9m in 1985-86).

Taxation rose to £30.5m, compared with £16.2m.

A £16m extraordinary charge, put down to the cost of the defence against last year's bid from Dixons Group, was announced at the interim stage.

Mr Mulcahy, said the group was looking for more acquisitions, recently made a recommended £19.2m offer for the Charlie Browns car parts and service chain, and failed in a bid for Underwoods, chemists chain.

Although the company was not acquisition-led, he added, forecasting more growth from the existing operations, it was looking for "any appropriately priced opportunity to acquire specialist retail businesses which can benefit from our innovative retailing skills and our property and financial muscle."

See Lex

Maxwell lifts stake in Extel to 26.4%

By Nikki Tait

Shares in Extel, the business and sports information group, jumped 9p to 497p yesterday on news that Mr Robert Maxwell, the publisher, has increased his stake in the company to 26.4 per cent.

Mr Maxwell originally bought into Extel during an abortive takeover bid by Demerger last year and, because he was deemed to be acting in concert with Demerger at one stage, was barred from making his own bid for the company for a further 12 months. The ban expires at the end of next month.

Mr Maxwell previously held a slightly larger stake in Extel, but this was diluted by Extel's purchase of The Dealers' Digest, the US financial publishing group, last summer. At the end of last year, Mr Maxwell transferred his 24.7 per cent holding to Pergamon Media Trust, a new UK-based company in which he has no beneficial interest.

The latest addition to that holding — a purchase of 850,577 shares—was made by BPCC Printing Corporation PLC, a subsidiary of the publicly-quoted BPCC, and takes the interest of Pergamon Media Trust and its associates to 26.4 per cent.

Dalgety in talks

Dalgety is in talks with Verenigde Bedrijven Nutricia to buy its subsidiary Preservenbedrijf BV, Holland, a major producer of extruded snacks under the Nibb-it name. It also supplies dehydrated vegetables and has an annual turnover of Fl 60m (£26m).

Dalgety already owns Golden Wonder (Holland).

BAe profits soar 21% to £182m on sales of £3.1bn

BY LYNTON McLAIN

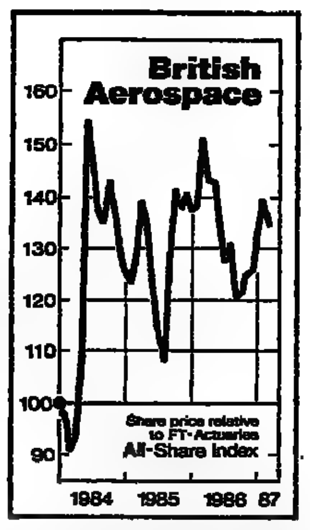
British Aerospace finished its first year as a fully privatised company, 1986, with pre-tax profits, before an extraordinary item, of £182.2m, up 21 per cent on the previous year. Sales reached £3.1bn, a rise of 18 per cent over the previous year. Exports accounted for two-thirds of sales.

The BAe board proposed a final dividend of 11p per share payable on June 2 1987 to shareholders registered at the close of business on April 17 1987. This brings the total dividends paid for 1986 to 17.4p per share, an increase of 10 per cent over 1985. Earnings per share last year were 51.4, compared with 56.4p in 1985, reflecting the higher number of shares last year and the higher tax bill.

The extraordinary item was the full provision of £57.1m, less attributable tax of £13m, for the closure of the BAe manufacturing facilities at Weybridge.

BAe made a trading profit of £217.2m compared with £211.1m in 1985. The trading profit included interest attributed to customer advances.

Sales of military aircraft continued to be a significant contributor to profits with a profit last year of £146m, compared with £148.3m in 1985.



The worst performing sector last year was the civil aircraft business, which produced a loss of £7.7m compared with a loss of £2.5m in 1985.

The company had an order book at the end of last year valued at £8.6bn, compared with £5.1bn at the end of 1985. This latest total included only the initial orders resulting from the £5bn military aircraft contract with Saudi Arabia.

● comment

British Aerospace's prudent approach to the recognition of profits left rather more up the corporate sleeve than some analysts had bargained for, and the share price took a nasty drubbing to close 28p down at 626p. The response looked unduly pessimistic: the theme running throughout the presentations yesterday was BAe's determination to adopt conservative accounting procedures to smooth out profits growth, and the current level of orders together with the levelling out of the tax charge suggests that the bottom line advance which eluded the company in 1986 should be more easily attainable over the next few years. With profits forecasts for 1987 around the £220m mark, the prospective p/e of 11 looks undemanding on trading grounds alone, but the decisions on the Royal Ordnance sale and launch aid for the A330 and A340 are likely to prove more relevant to the price in the short term. No one but a cynic would suggest that the Government might be swayed towards favourable verdicts on either by a desire to improve the climate for the pricing of Rolls-Royce.

Garfunkels advances to £4.8m

GROWTH AT Garfunkels Restaurants has continued. In 1986 pre-tax profits advanced by 41 per cent to £4.81m, with 18 new restaurants being opened and five refurbished.

The dividend is lifted from 1.3p to 1.5p net, with a final of 1.285p on capital increased by the issue against the purchase of five sites last September. Also proposed is a 1-for-5 scrip issue.

Turnover for the year improved from £22.28m to £28.89m, representing growth of 30 per cent. After tax £1.68m (£1.24m) and minorities £38,000 (£22,000), the net attributable profit came to £3.09m (£2.14m) and earnings were 9.57p (7.3p).

There was an extraordinary credit of £315,000 (£39,000) mainly relating to the net profit on the sale of a freehold property.

The group owned 74 branches at the end of the year. A significant number of new units were planned for 1987.

The current term should be another good year, the directors claimed, following an encouraging start.

● comment

Having taken the effects of last year's tourism downturn in its stride, Garfunkel is growing in confidence. This year it plans to add another 30 or so restaurants to the 74 it ended up with at the end of 1986. As the company expands, overheads take up proportionally less of revenues, purchasing power grows and margins improve. And, because most of the growth is outside London, profits will be less at risk from another Chernobyl or Gadaffi scare. For this year the company should be able to achieve £5.7m pre-tax, putting the shares—at 199p, up 4p—on a prices earnings ratio of about 18. With net cash in the bank of about £2.5m Garfunkels will be able to pay for expansion without calling for funds from shareholders. Nonetheless the share price is up with events.

PRUDENTIAL CORP has bought Chiltern Estates with six residential sales offices in Buckinghamshire and Hertfordshire. This raises the groups estate agency outlets to 383. Consideration, not disclosed, was in cash and shares.

Bestwood profit soars to £2.4m

BY NIKKI TAIT

Bestwood, the rapidly-expanding investment and property services group headed by former stockbroker Mr Tony Cole, more than doubled its pre-tax profits to £2.43m during 1986 on turnover more than trebled at £20.6m. Earnings per share rose by a more modest 56.2 per cent to 7.5p.

Mr Cole said that the company was continuing to rationalise its engineering division, but had a number of acquisitions in mind for the current year and was still looking to add a "fourth leg" to the business.

Current year figures, according to the company, would benefit from the profit on a development site in West London—to the tune of perhaps £½m—and from an unquantified pension holiday.

The comparitive performance of Bestwood last year is complicated by the substantial acquisitions made and the fact that the company has used a mix of acquisition and merger accounting.

There is a £1m tax charge (£391,000), leaving net profits of £1.42m (£538,000). A further £308,000 is written off below the line—the extraordinary costs of the abortive bid for Country Gentlemen's Association less the profit on the sale of John Brown (Printers). The dividend is unchanged at 2p a share, on the enlarged capital.

● Mr Cole confirmed yesterday that his letter protesting at the Whitbread "umbrella" — the stakes held by the company and Whitbread Investment Company in regional breweries — had now been sent to the Office of Fair Trading.

Wardle extends Phipps offer

The bid by Wardle Storeys for Chamberlain Phipps, the shoe components and adhesives group, hit its first closing date with acceptances totalling only 0.47 per cent of the shares in issue.

Chamberlain immediately dismissed the acceptance level as "derisory" but Wardle has extended the offer for the full 60 day period, ending on May 1.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Abbeycrest	‡**1.5	May 12	—	4	—
Alida Hldgs	5.75	May 12	4.3*	8	6.5*
Alva Inv Trust 2nd int	1.3	May 14	1	2.6	2.3
Arenson Group ...int	0.55	June 16	0.4	—	1.1
Ben Bailey ...int	0.4	June 25	nil	—	0.25
Bridport-Gundry ...int	1.9	May 29	1.65	—	6.25
Brikat ...int	‡0.75	July 13	1.7	—	4.2
British Aerospace ...	11	June 2	10	17.4	15.8
D. Bryant	2	May 11	5.4	2	8.1
Candover Inv	5	—	4	7	4
Chambers Fargus ...int	1	—	nil	—	1.76
Clifford's Dairies	5	Apr 16	4.7	8	7.2
Clode Bros ...int	3	May 1	2.8	—	8
Coats Viyella	10	July 1	8	14.5	12
Davidson Pearce	1.8	May 18	1.5	3	1.5
Eadie Holdings	‡1.5	—	—	1.5	—
Equity Law	‡‡8	July 1	5.7	8	6.7
Garfunkels	†1.29	June 11	1.09	1.5	1.3
Hall Engineering	6.02	May 15	4.71	10.05	8.37
Hambro Countrywide	5	May 18	3	5¶	4.6
Johnson Grp Cl sec int	18	—	16.3	23	20.5
Thomas Jourdan	3.25	May 8	2.63*	4.5	3.68*
Lopex	2.4	May 18	—	4.2	—‖
Pantherella	nil‡	—	2.2	1.5	3.7
P & O	11.5	May 11	10	19	16
Pressac ...int	0.85	—	0.7	—	2.5
Prudential	19	—	17	29	26
Rohan Group	††2.88	—	2.4	5.28	4.8
Rockwood	‡nil	—	0.5	nil	0.5
Stand Chartered	22.5	May 15	20	35	30.5
Tay Homes ...int	‡1.77	—	1.54	—	5.25
Tibbett Britten	2.3	May 28	—	2.3	—
Trinity Intnl	16	Apr 24	10.8	21	15
Willis Faber	7.25	May 28	6.25	10.75	8.75
A. Wood (Long)	2.5	May 21	2.5	2.5	2.5
Wolstenholme Rink ...	6.25	May 14	5.25	9	7.75
Woolworth	11	July 2	7	16	10

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For seven months (12 months). ‖ Shares offered for sale in May 1986. ** For 16 months. †† Irish pence throughout. ‡‡ Single payment only for 1986. Company has discontinued practice of paying interim and final dividends.

Burford joins the USM with £8m value

BY MIKE SMITH

Burford Group, the property investment and trading company, is joining the Unlisted Securities Market at a market capitalisation of £8m.

Broker Alexanders, Laing and Cruickshank yesterday placed 2m new shares in the company, representing 20 per cent of the enlarged equity, at 80p each. The issue will raise £1.6m, all of which will be put back into the company.

Burford was formed in 1982 as a property trading company. It expanded into property investment following the arrival of Mr Nick Leslau, now joint managing director, the following year.

The investment side of the business has three major commercial properties: the Piccadilly Plaza, in Manchester, which comprises a five star hotel, two office towers, a shopping area and car parking facilities; the Priory and Cannon House in Birmingham, a complex of offices and shops and Henrietta House in London, W1, another offices and shops complex.

Burford's pre-tax profits have risen from £24,000 in 1982 to £495,000 in 1986.

Dealings in the shares are expected to start on Monday.

THIS ADVERTISEMENT IS ISSUED IN COMPLIANCE WITH THE REQUIREMENTS OF THE COUNCIL OF THE STOCK EXCHANGE.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary share capital of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

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Extracts from Chairman's Statement

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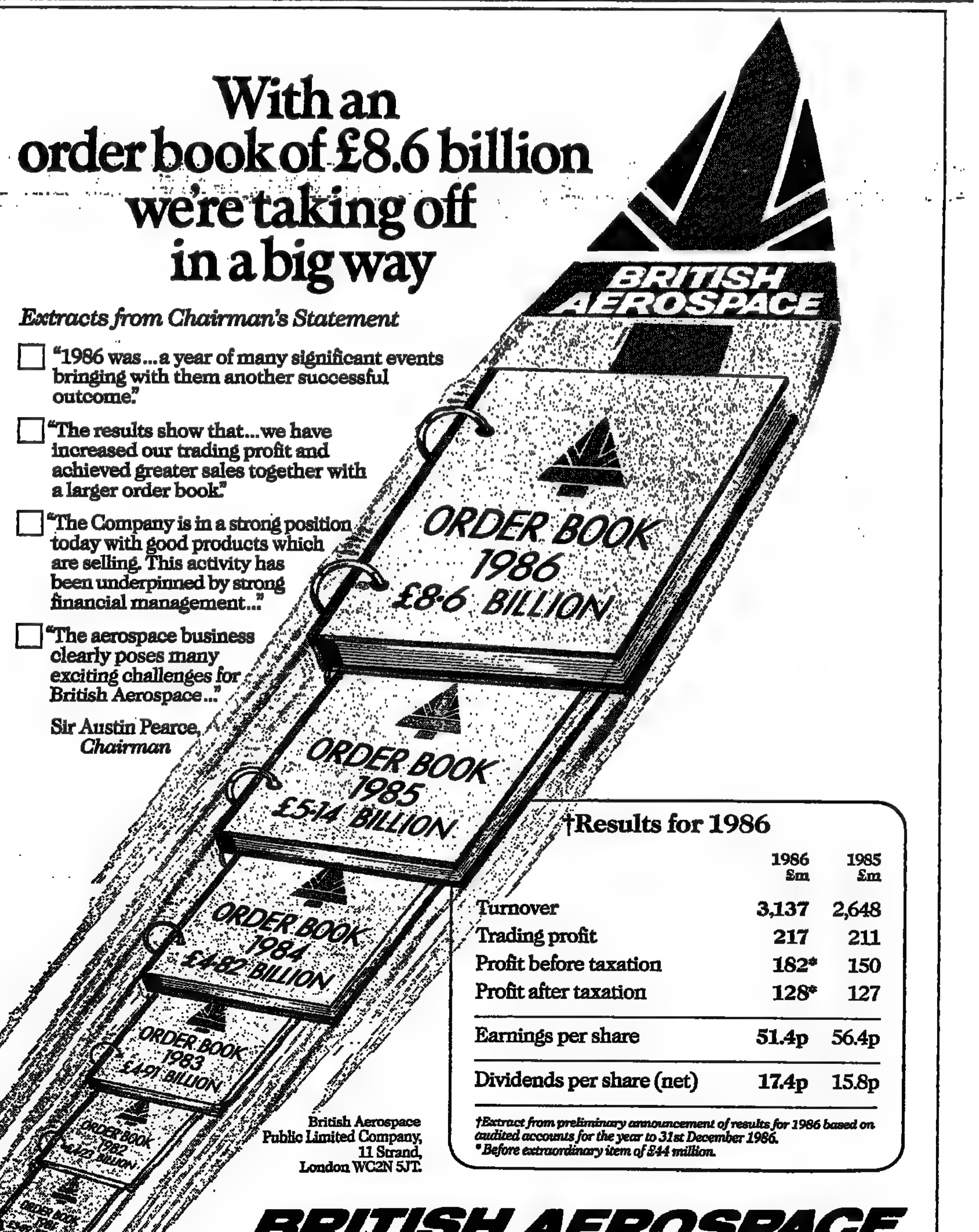
Sir Austin Pearce, Chairman



†Results for 1986

	1986 £m	1985 £m
Turnover	3,137	2,648
Trading profit	217	211
Profit before taxation	182*	150
Profit after taxation	128*	127
Earnings per share	51.4p	56.4p
Dividends per share (net)	17.4p	15.8p

†Extract from preliminary announcement of results for 1986 based on audited accounts for the year to 31st December 1986.
*Before extraordinary item of £44 million.

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UK COMPANY NEWS

Shell UK to develop new North Sea fields

By Lucy Kellaway

Shell UK is planning to obtain permission this year for the fields in the North Sea, the company's chairman, Mr Bob Reid said yesterday.

The fields are the medium sized Kittiwake field, which will cost about £350m to develop, and the smaller Osprey which will be tied into an existing oil platform.

Mr Reid said he also hoped to press ahead with the development before the end of the year of the large Sole Pit gas field, although the timing would depend on the progress of talks with British Gas, which are now underway.

He was speaking at the announcement of Shell UK's results for 1986, which showed profits after tax unchanged.

Net profits for the year were £757m, an increase of £90m over 1985, which was depressed by one-off restructuring costs of £94m. The company said that on the whole the year had been a good, with higher earnings from oil refining and marketing and from chemicals offsetting lower profits from crude oil production.

In 1986 Shell's production accounted for about one sixth of total UK output, with oil production at a peak of 373,000 barrels a day, and gas at 5.9bn cubic metres. The company said its oil output would fall this year as production from the Brent field declines.

After tax profits from exploration and production showed a relatively small decline of £126m to £539m. While profits before tax fell from £2.1bn to £869m, the tax burden declined dramatically, with the PRT charge almost eliminated.

Profits from refining and marketing doubled to £187m last year. The company attributed the improvement to changes made during the year — including the introduction of Formula Shell, which resulted in increased market share — as well as to higher margins caused by the collapse of crude prices.

Shell said yesterday that margins had been badly squeezed in the last quarter of 1986, but were now showing some improvement.

Profits at Shell Chemicals increased threefold to £83m, as a result of successful restructuring of the division, and lower raw material costs.

During the year capital expenditure was slightly higher at £644m, with a £23m fall in investment in the North Sea more than offset by the costs of improving the refinery at Stanlow.

Hall Engineering up 25% and this year starts well

SECOND-HALF profits up from £2.37m last time to £2.91m gave **Hall Engineering (Holdings)** a 1986 pre-tax figure of £5.34m, a 25 per cent increase on the previous year's £4.25m. Turnover totalled £123.57m, against £119.32m.

The company said there had been an encouraging start to the current year and the board was confident of another year of solid growth.

Hall, in which the Richardson brothers have recently increased their stake to 9.5 per cent, is to pay a final dividend of 6.02p for a total payment up from 8.37p to 10.05p. Stated earnings per 50p share advanced to 24p (20.3p).

Pre-tax profits included a £1.37m (£1.13m) share from associates and investment income, less amounts written off, of £24,000 (£19,000 debit), but were after charging interest paid of £1.39m (£1.88m) and exceptional debits of £751,000 (£439,000 credits).

Tax took £1.85m (£1.29m) and there were also significantly increased extraordinary charges of £1.15m (£87,000). The company said progress had been made with reorganisation and rationalisation, including the disposal of assets which were not earning an adequate return.

• comment

Hall Engineering could do with some reinforcement — although the kind that the Richardso n brothers have offered via their 9.5 per cent stake is not what the company has in mind. The South African operations have apparently moved from a small loss to a £1.2m operating profit. However, this swing round owes a lot to the movement of at least £4m of trading losses into the extraordinary account following the closure of the steel foundry (which in the last annual report was functioning "at a more satisfactory level") plus the £200,000 benefits of a stronger Rand. BRC had another £940,000 lavished on it (taken as an exceptional) which compares unfavourably with the £1.2m operating profit made. Trading losses from Reliance Compra of £1.3m also helped swell the extraordinary account. While everything in the steel stockholding garden is reputedly lovely (an opinion shared by few analysts) operating profits were down £200,000 in this area. This year £6½m pre-tax appears likely, as does a property revaluation and some write-down of the £8m invested in South Africa.

Candover growth continues

FURTHER substantial growth in profit and net assets has been achieved by **Candover Investments**, *the management buy-out specialist.*

In 1986 profit before tax rose from £756,000 to £895,000 and basic earnings from 6.21p to 8.24p. There is a final dividend of 5p making a total of 7p net, against 4p.

By the year-end net assets attributable had risen to £18m, a 27 per cent increase over the previous £14.18m. That was equivalent to 262p per share, against 198p.

Candover invested in 17 companies of which 13 were management buy-outs, including the first two under the Electra Candover Direct Investment Plan (Bowater UK Paper and the Fairey Group).

The largest UK buy-out led by Candover was for Berkertex Holdings. Overseas, it made three investments in management buy-outs organised by the US associate, and also made its initial management buy-outs in the Netherlands and Italy.

The Hoare Candover Exempt Fund, managed by Candover, was fully invested and showing a compound annual return to investors of some 35 per cent.

A successor fund was currently being raised which would strengthen the company's ability to finance transactions below the size for which Electra Candover was intended.

• comment

Management buyouts, once an arcane oddity, are now every macho investment banker's favourite technique and Candover is finding itself outbid in the battle to find new investments. As a consequence, interest outcome is edging up as a proportion of total profit as funds sit and wait for an outlet. Part of the solution is to look for smaller and less competitive situations and that explains the new fund for investments of under £10m. But the fashionability of buyouts gives Candover one definite advantage—unusually, for an investment trust it sits at a premium to its assets. True, those assets are largely valued by directors but in fact, when the companies involved join the stock market, as four are likely to do this year, Candover normally receives a healthy premium over the book value. That prospect alone should buoy the shares, currently at 365p, up 12p on yesterday's results.

All-round growth at Trinity

MARKED IMPROVEMENTS in productivity in all divisions made a significant contribution to 1986 earnings growth at **Trinity International Holdings**, newspaper publisher and paper and packaging maker.

Although turnover was little changed at £83.7m, against £83.4m, pre-tax profits jumped 47 per cent from £6.69m to £9.83m. Earnings per 50p share were 54.3p (39.3p) and the final dividend is lifted to 16p for a total of 21p (15p).

All three divisions produced increased profits. Papermaking and packaging contributed £5.1m (£3.73m), North American newspapers £3.33m (£2.52m) and UK newspapers £1.49m (£0.83m).

T & B profits surge past £3m mark

By Ralph Atkins

Tibbett & Britten, bought by its management in 1984 and floated on the stock market last July, increased pre-tax profits to £3.38m from £1.94m in 1986.

The group, which distributes clothing to retailers, increased turnover to £36.05m from £32.59m. Earnings per share rose to 9.1p from 6.7p.

About half of T & B's turnover comes from trade with Marks and Spencer but Mr John Harvey, chairman, said the group was developing other areas as well.

The group hopes this year to see a contribution to profits from Retail Consolidation Services, set up to develop and manage specialist distribution operations for other retailers.

The group had net investment income of £455,000 in 1986 — mainly arising from interest on the proceeds from its flotation. Gearing at the year end was 25 per cent.

The group said its international division, which accounts for about 5 per cent of turnover, had been hit by exchange rates and also because its main European trading partner had been sold to a competitor. An exceptional item of £200,000 had been allocated for reorganisation of the division.

A first and final dividend of 2.3p is proposed. The tax charge increased to £1.23m from £502,000.

Close Brothers lifts profits by 36%

Close Brothers, the merchant banking group in which Caledonia Investments in January purchased a 10.6 per cent stake for about £3.5m, lifted pre-tax by more than 36 per cent from £1.15m to £1.51m at the midway stage to January 31, 1987. The directors also proposed a one-for-one scrip issue.

They said that the future prospect in all sections of the business remained encouraging and the company looked forward to another successful year. At the year end on July 31, 1986 Close Brothers reported profits of £2.5m.

The directors added that the company was continuing to examine possible acquisitions.

After tax of £511,000 (£417,000) and a minority interest debit of £22,000 (£6,000 debit), earnings per share worked through at 7.53p, up from 5.58p last time. The declared interim payment is lifted from 2.8p to 3p.

Extracts from the statement by the Chairman of
Anglo American Industrial Corporation, Mr. W. G. Boustred

AMIC

Amic's attributable earnings improve by 51 per cent largely due to record results achieved by Mondi Paper Company, Highveld Steel and AECI

Results for the year

Amic's attributable earnings before extraordinary charges for the year ended December 31 1986 amounted to R260 million, an increase of 51 per cent over the previous year. Earnings per share increased by 49 per cent from 347 cents to 516 cents. This result has been achieved notwithstanding the difficult conditions both in the domestic economy and in the international markets in which many of Amic's companies participate.

The improvement in the group's earnings was largely due to the significantly improved results of the major operating subsidiaries and the excellent performance of AECI, Amic's major associate.

The board has decided to declare an increased final dividend of 135 cents per share, thereby raising the total dividend for the year to 190 cents per share. The corporation's dividend cover has improved from 1.9 to 2.7 and the higher retention will facilitate a reduction in the level of borrowings required to finance the group's operations. In deciding its dividend policy, the board has taken into account the uncertainty that lies ahead particularly for those of Amic's subsidiaries and associates which trade in the international markets, where a continued decline in commodity prices, together with the strengthening of the rand/dollar exchange rate, has led to reduced rand realisations in respect of some exports. In addition, the sanctions legislation that has been enacted by the United States and the European Economic Community has restricted certain markets.

Economic Review

Bold and imaginative initiatives on the political front obviously remain the overriding prerequisite for sustained economic growth. Control of the rate of increase in production costs is also of the utmost importance as it must be recognised that currency depreciation, which compensates exporters for rising costs, is not a satisfactory answer. Beyond its initial advantages, it simply establishes a vicious circle of inflation and further devaluation which is detrimental to growth prospects. Containment of manpower costs is a crucial challenge which must be met, to the maximum extent possible, by improved productivity. Shortages of skills have been aggravated by emigration, and strong wage and salary pressures and increased training needs will accompany even modest recovery. At the unskilled level, demands for compensation from the ravages of inflation and for what is perceived to be a fairer share of total earnings are bound to grow. These issues will have to be resolved in a manner which is not prejudicial to business viability and, accordingly, the ability to create more jobs and extend the fruits of economic growth more widely.

Industrial relations

It is pleasing to be able to report that relations between management and trades unions representing employees in the Amic group continued to be constructive throughout 1986. However, a number of factors are placing these relations under strain.

The state of emergency, re-imposed in the middle of 1986, has had a direct effect on labour relations through the detention of union leaders. Government has indicated that these detentions do not seek to attack trades unions or the labour relations process and it is essential that such detainees should be afforded the benefits of the due legal process without delay.

In 1986 a significant number of foreign companies withdrew from South Africa in the face of pressures from the disinvestment movement, particularly in the United States. A number of trades union groupings have been broadly supportive of such strategies. This support is difficult to understand in the light of the real hardships that these measures impose on workers—many of whom are trades union members—and their many dependants. It is most important that these trades union groupings review their positions before employment opportunities are even more severely reduced.

Underlying the sanctions debate is the urgent need for the creation of channels through which black South Africans can exercise constructive political influence through appropriate political organisations, releasing the union movement to concentrate on the economic concerns of its membership.

Outlook for 1987

In last year's review attention was drawn to the uncertainties which faced the corporation and the difficulties involved in making any realistic forecasts for 1986. In the event, attributable earnings improved by 51 per cent. Because of the continued uncertainty it is again not possible to forecast the results for the year ahead, but if Amic is able to maintain its earnings at last year's level this would have to be regarded as a satisfactory performance.

aac

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The content, size and publication dates of surveys in the Financial Times are subject to change at the discretion of the Editor

GRANVILLE

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High	Low	Company	Price	Change	Gross Yield div.(p)	%	P/E
181	118	*Ass. Brit. Ind. Ordinary*	180	—	7.3	4.6	8.8
163	121	Ass. Brit. Ind. CULS	163	—	10.0	6.1	—
40	28	Armitage and Rhodes	38	—	4.2	11.7	6.0
80	54	*BBB Design Group (USM)*	75	—	1.4	1.9	17.9
221	166	Bardon Hill Group	221	—	4.6	2.1	25.1
111	55	Bray Technologies	111	+1	4.3	3.9	13.2
138	75	*CCL Group Ordinary*	132	—	2.9	2.2	8.4
107	86	CCL Group 11pc Conv. Pf.	99	—	15.7	15.9	—
271	116	Carborundum Ordinary	267	—	9.1	3.4	12.9
94	90	*Carborundum 7.6pc Pf.*	94	—	10.7	11.4	—
125	75	George Blair	91	—	3.8	4.2	2.3
116	57	Ind. Precision Castings	116	—	6.7	5.8	10.4
176	119	Isis Group	120	—	18.3	—	—
124	101	Jackson Group	122	—	6.1	5.0	8.3
377	280	James Burrough	367	—	17.0	4.6	10.3
100	89	James Burrough 9pc Pf.	91	—	12.9	14.2	—
1,035	342	Multihouse NV (AmstSE)	675	−35	—	—	35.4
390	260	*Record Ridgway Ordinary*	389	+2	—	—	6.4
100	83	Record Ridgway 10pc Pf.	85	+1	14.1	16.6	—
91	67	Robert Jenkins	89	—	—	—	3.9
72	30	*Scruttons*	72	+1	—	—	—
153	67	Torday and Carlisle	153	+1	5.7	3.7	9.3
340	321	Travian Holdings	324	—	7.9	2.4	6.7
91	42	Unilock Holdings (SE)	89	−2	2.8	3.1	16.4
130	65	Walter Alexander	130	—	5.0	3.8	12.4
200	190	W. S. Yeates	193	—	17.4	9.0	19.3
108	67	West Yorks Ind. Hosp. (USM)	100	−6	5.6	5.6	14.3

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Botswana RST Limited

Incorporated in the Republic of Botswana

PRELIMINARY REPORT

Results of the company and its subsidiaries for the year ended December 31, 1986

	Year ended December 31 1986	Year ended December 31 1985
PRODUCTION AND SALES (Tonnes)		
PRODUCTION AT MINE—METALS CONTAINED IN MATTE		
—Nickel	18 974	19 565
—Copper	21 336	21 692
—Cobalt	168	222
SALES		
—Nickel	15 656	17 324
—Copper	17 376	19 397
—Cobalt	137	190
	Unaudited Year ended December 31 1986 P000's	Audited Year ended December 31 1985 P000's
CONSOLIDATED INCOME STATEMENT		
Sales of matte and metals	98 981	120 134
Operating profit	18 216	45 674
Interest earned	226	336
Interest paid	(4 706)	(9 060)
Realised currency exchange fluctuations	5 627	(10 447)
Other expenses	(343)	(288)
Profit before deferred interest, deferred royalty and unrealised exchange fluctuations	19 020	26 215
Interest accrued but deferred for payment	(153 086)	(144 765)
Royalty accrued but deferred for payment	(5 851)	(6 540)
Unrealised currency exchange fluctuations	131 523	(270 866)
Loss for the year before extraordinary item	(8 394)	(395 956)
Extraordinary item	—	(63 358)
Net loss attributable to the shareholders of Botswana RST Limited	(8 394)	(459 314)
Accumulated deficit at beginning of the year	(1 181 412)	(722 098)
Accumulated deficit at end of the year	(1 189 806)	(1 181 412)
Net loss attributable to the shareholders of Botswana RST Limited per ordinary share:		
—*Pula*	P0.47	P25.55
—Sterling	£0.17	£8.40
—U.S. Dollars	$0.25	$12.10
Exchange rates used above: P1 =	£0.3680	£0.3290
P1 =	$0.5405	$0.4735
	Year ended December 31 1986 P000's	Year ended December 31 1985 P000's
CAPITAL EXPENDITURE AND COMMITMENTS		
Capital expenditure	6 591	4 031
Capital commitments	202	691
Capital expenditure approved by the directors *but not* committed	1 177	745

COMMENT ON RESULTS

Sales revenue *decreased by 18% to P99.0 million* in 1986 from P120.1 million in 1985 and the operating profit of P18.2 million was P27.5 *million lower than the P45.7 million profit* reported in 1985. The 1986 revenue was adversely affected by lower nickel prices and *the decline in the value of the US Dollar* against the Pula. Profits were also lower due to increased operating costs mostly as a result of *higher inflation* and increased utility costs. However, the 1986 net loss attributable to the shareholders of Botswana RST Limited of *P8.4 million was significantly lower than the* net loss of P459.3 million reported in 1985. This was mainly due to the favourable unrealised currency exchange fluctuations of P131.5 million compared with the unfavourable fluctuations of P270.9 million in 1985.

CHANGE IN ACCOUNTING POLICY

For accounting years commencing after June 30, 1985 Botswana has adopted the standards laid down by the International Accounting *Standards Committee. The accounting policy of* the group for exchange fluctuations on loans raised to finance mining assets and other *capitalised expenditure has been changed* accordingly. Previously such exchange fluctuations were capitalised but in the period *under review are included in income* and the comparative figures restated. The effect on the group has been to increase the unrealised exchange profit for the year by P27 657 000 and the 1985 exchange loss by P72 899 000. The accumulated deficit at January 1, 1985 has been increased by P115 933 000 as set out below.

	P000s
Accumulated deficit as originally stated — January 1, 1985	606 165
Adjustments arising from the change in accounting policy	115 933
Accumulated deficit as restated — January 1, 1985	722 098

M. B. Bayliss
A. B. McKerron } *Directors*

Registered Office:
Administration Block
(PO Box 3)
BCL Mine Site, Selebi-Phikwe, Botswana

March 25, 1987

هكذا من الأصل

هكذا من الأصل

Willis Faber's £75m falls short of City expectations

BY NICK BUNKER

Willis Faber, one of London's biggest Lloyd's insurance broking groups, yesterday reported 1986 pre-tax profits up 17 per cent at £74.8, falling slightly short of the City's expectations.

Mr David Palmer, group chairman, said the results showed strong overall growth in mainstream insurance broking activities.

Brokerage and expenses both showing an underlying increase of 21 per cent, after excluding the effects of currency movements.

Willis's foreign exchange management policy boosted profits by £6.8m. But the group said that 1986 had been a very good year in this respect and that it did not have a policy of trying to make profits from currency management.

After-tax, Willis reported grou profits of £46.1m on its ordinary activities. Earnings per share increased by 22 per cent to 25.96p, after taking into account a lower tax rate and an after-tax appropriation of £542,000 for the 2,318 members of the Willis Faber Profit Sharing Scheme.

The board has recommended a final dividend of 7.25p making a total dividend of 10.75p, 23 per cent up on the 1985 figure.

Group pre-tax profits included a £25m (£20.3m) contribution from associated companies, of which £18.1m came from Morgan Grenfell, the merchant banking group, in which Willis has a stake of more than 20 per cent.

Willis said it had bolstered the reserves of its insurance company subsidiaries, resulting in a loss there of £1.9m.

Invesmtent income and dividends rose only nine per cent to £21.2m. It was constrained by lower interest rates, Willis said. Interest payable by the group rose from £1m to £2.08m, reflecting the higher level of medium term borrowing to finance increased long-term investment.

Willis said it had restated by £3.36m in its accounts the 1985 results for Morgan Grenfell, to reflect the merchant bank's change in its accounting basis at the time of its flotation last summer.

● comment

Marked down 12p to close at 413p, Willis now looks cheaper than it has for some time. Reasonable estimates of earnings per share of 28.5p for 1987 leave it on a prospective multiple of 14, an undemanding rating for a broker still regarded as the sector's star alongside Stewart Wrightson. True, marine insurance broking remains flat, with world shipping traffic still depressed, and January's easier reinsurance renewal season in London yielded no signs yet of an easing in the market for heavy-duty North American liability risks. Yet Willis has held back expenses growth (another ofthe sector's bugbears). Strip out increase in errors and omissions insurance premiums, and other extraordinaries, and expenses grew 18 per cent in sterling terms. It was Morgan Grenfell's unexciting results that seem to have held back Willis Faber's share price.

Flotation puts £28m ticket on Airtours

BY RICHARD TOMKINS

Airtours, the Lancashire-based tour operator which earlier this month unveiled its plans for a listing, yesterday published the prospectus for placing which will put a value of £28.35m on the company.

The British Linen Bank is placing 4.725m shares—some 30 per cent of the enlarged equity—at 180p each. Of the £8.5m proceeds, nearly £7.2m will be split between Mr David Crossland and Mr Thomas Trickett, Airtours' founders, and about £1m net will go to the company.

Joint brokers to the issue are de Zoete & Bevan and Henry Cooke Lumsden.

Airtours began as a travel agency business which was bought by the two founders in 1972. It began tour operations in 1980, aiming to introduce cut-price foreign travel to Mancunians who had never been abroad before.

Initially most of its holidays were to Malta and the Balearics but its programme has grown to include other desinations—most recently, the Caribbean. Its customer base has also expanded beyond the Manchester area.

The growth of the tour operating business has been accompanied by the acquisitions of Carusel Holidays, a Midlands operator, and the disposal of the original travel agency business to Hogg Robinson (Travel) in December for £2.75m.

The prospectus shows pre-tax profits rising from £130,000 in 1982 to £2.03m in the year to last September on turnover up from £3.27m to £54.98m. For the current year, Airtours says it had taken 156,000 bookings at the end of February compared with 124,000 at the same time last year, and forecasts pre-tax profits of at least £3.25m.

On this basis the prospective price/earnings multiple after a notional 35 per cent tax charge is 13.1. The indicated gross dividend yield is 4.23 per cent.

Reliance Security to join USM

BY RICHARD TOMKINS

Reliance Security, a London-based company which guards and patrols offices, factories and other premises in England and Wales, is joining the unlisted securities market at an initial capitalisation of £14.4m.

Charterhouse Bank is placing 1.8m shares, or 17.5 per cent of the enlarged equity, at 140p each. Of these, 350,000 are being sold by Mr Brian Kingham, the company chairman, and the rest are new shares which will raise £1.7m net for the company's expansion.

Reliance was founded by Mr Kingham in 1973 and has grown to be one of Britain's biggest companies in the manned security services sector. It originally served only London, but by 1982 had built up a strong presence in the south-east and more recently opened operating centres in Birmingham and Cardiff.

Turnover in the security industry at end-user prices grew by 51 per cent from 1981 to 1985, and turnover in the guard and patrol sector by 67 per cent. Reliance has outpaced this growth with a 157 per cent increase in turnover in the same period.

Pre-tax profits have risen from £571,000 in 1982 to £1.16m in the year to last April in spite of a hiccup in 1984 caused by the initial costs of expansion. The move into profitability of new operating centres is one of the factors behind the forecast increase in pre-tax profits to £1.5m for the current year.

Reliance is coming to the market on a prospective price/earnings ratio of 12.6. This compares with a prospective multiple of about 10 for Securiguard, another USM-quoted security group, but Securiguard has only recently recovered from a profits downturn.

Joint stockbrokers to the Reliance issue are L. Messel and Charterhouse Tilney.

Clifford's advances 17%

Clifford's Dairies, processor and distributor of milk, dairy products and groceries, produced pre-tax profits 17 per cent higher at £4.52m.

The figures included 10 months' contribution from Merton Foods, which had shown strong growth and good profits since its acquisition in March 1986, said directors.

Cream margins had remained poor but in other areas trading had been satisfactory, they said.

Turnover for the year to December 31 rose from £84.58m to £93.63m. Operating profit was higher at £5.01m (£4.51m), while associated companies contributed £173,000 (£111,000), and interest took £665,000 (£748,000). There was an extraordinary credit of £117,000 (£330,000).

Tax took £1.76m (£1.66m), giving adjusted earnings per share of 19.58p (17.32p).

Directors recommended a final dividend of 5p (4.7p), making 8p for the year, against last year's 7.2p.

Johnson Cleaners rises 13%

Johnson Group Cleaners has boosted its pre-tax profits by 13.3 per cent to a record £8.82m despite the impact of a weaker US dollar against sterling and the disposal of peripheral businesses.

The group, whose purchase in January of three US dry-cleaning companies for £3.8m pushed its American division to more than 33 per cent of the business, produced turnover up slightly from £89.6m to £90.26m for the year to December 27, 1986.

Directors have increased the dividend by 12.2 per cent from 20.5p to 23p with a second interim of 18p (16.3p).

Mr Philip Bollom, chairman, said the figures had benefited from a significant reduction in interest costs from £3.07m to £2.6m, reflecting the proceeds from the disposals of non-trading properties and surplus business assets.

Trading profits from the dry-cleaning division fell from £8.19m to £7.88m. The group remained the largest dry-cleaning organisation in the UK, said Mr Bollom. Shop layout and design had been improved over the past year.

In the US, the performance of Best Cleaners was unsatisfactory during the early part of the year. Reorganisation had resulted in a significant improvement in efficiency in the final quarter.

Johnson Group Inc plans to continue its policy of organic growth and selective acquisitions, he said.

Profits from the textile rental division rose from £2.35m to £2.88m.

Interest receivable rose from £139,000 to £506,000. Tax took more at £3.04m (£2.86m), leaving attributable profit at £5.78m (£4.93m). Extraordinary items included a surplus on property sales of £1.24m (£4.62m), extraordinary costs of £75,000 (£681,000) and attributable taxation of £420,000 (£1.17m), making a total of £744,000 (£2.77m). Earnings per share were 43.7p, up from 37.58p.

● comment

Johnson's concentration on dry cleaning and textile rental is working well and the outlook for the next few years looks good. In the dry cleaning business, the group has a 25 per cent market share of the UK market. This means the potential for further growth through acquisition is limited but full marks should be awarded for its US acquisitions. Here a fragmented market, even with adverse exchange rates, means there are a lot of opportunities for adding to its portfolio. If there is a black cloud on the horizon it is the group's image. Its adherence to a policy of using many different trading names contrasts with that of its better known rival, Sketchley. This year will see a full 12 months contribution from Lawtex and Clifton Cleaning, both acquired in October, which should help push pre-tax profits to about £10.2m. A share price of 635p gives a prospective p/e of about 13—below market average and probably unduly pessimistic.

IBM

Credit Corporation

IBM Credit Corporation

U.S.$300,000,000

6¾% Notes Due April 7, 1990

Issue Price 101.25%

The following have agreed to subscribe or procure subscribers for the Notes:

Swiss Bank Corporation International Limited

Credit Suisse First Boston Limited
Morgan Guaranty Ltd
Salomon Brothers International Limited
Merrill Lynch Capital Markets
Nomura International Limited
Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.
Banque Nationale de Paris
County NatWest Capital Markets Limited
Daiwa Europe Limited
Dresdner Bank Aktiengesellschaft
LTCB International Limited
Mitsubishi Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited
Crédit Lyonnais
Deutsche Bank Capital Markets Limited
Goldman Sachs International Corp.
Mitsubishi Finance International Limited
Swiss Volksbank

Julius Baer International Limited
Banca della Svizzera Italiana
Bank J. Vontobel & Co. AG
Compagnie de Banque et d'Investissements, CBI
Ferrier Lullin & Cie S.A.
Leu Securities Limited
Sarasin International Securities Limited
Banca del Gottardo
Bank in Liechtenstein AG
Banque Scandinave en Suisse
Darier & Cie
HandelsBank N.W. (Overseas) Ltd.
Pictet International Ltd.
Swiss Cantonalbanks

Unigestion SA, Geneva

Application has been made to the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") for the 6¾% Notes Due April 7, 1990 to be admitted to the Official List subject only to the issue of the temporary Global Note. Interest is payable annually in arrear on April 7, the first payment being made on April 7, 1988. Listing Particulars relating to the Notes are available from Extel Financial Limited and may be obtained during usual business hours up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 8th April, 1987 from:

Swiss Bank Corporation International Limited
Three Keys House
130 Wood Street
London EC2V 6AQ

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

The Chase Manhattan Bank N.A.
London Branch
Woolgate House
Coleman Street
London EC2P 2HD

25th March, 1987

PRELIMINARY RESULTS

	Year ended December 31 1986 £000	Year ended December 31 1985 £000
Turnover	112,947	100,109
Profit before taxation	3,577	2,329
Profit after taxation and minority interests	1,585	918
Earnings per ordinary share	12.37p	7.72p
Dividend per share	4.2p	4.0p

The figures are extracted from unqualified audited accounts which have been or will be delivered to the Registrar of Companies.

- All 1986 forecasts exceeded.
- Pre-tax profit increased by 54% over 1985.
- Earnings per share increased by 60% over 1985.
- Group strategy remains one of balanced growth within four sectors in the UK and overseas.

Copies of the Annual Report and Accounts will be available after April 10 from The Secretary Lopex plc, Alliance House, 63 St. Martin's Lane, London WC2N 4BH. Telephone: 01-836 0281

"We believe that independent intermediaries are well placed to give consumers the wholly objective advice they want and need.

So we welcome the strengthening of their position provided by the Financial Services Act.

Equity & Law has always sold its products in the UK almost entirely through independent intermediaries, and we are confident that they will continue to find the products best suited to their clients' needs from among those we offer."

Sir Douglas Wass GCB, Chairman

The results of our policies speak for themselves.

FINANCIAL HIGHLIGHTS OF 1986

	*1986 £ million	1985 £ million	Increase %
New annual premiums	51.1	45.2	13.1
New single premiums	166.4	120.1	38.6
Total premium income	380.7	301.0	26.5
Long Term Business Assets	3,591.0	2,891.4	24.2
Earnings	8.066	6.772	19.1
Dividends	8.050	6.730	19.6

*1986 figures are fully audited.

Equity & Law

If you would like a copy of the full preliminary statement and a copy of the 1986 Report and Accounts (available on April 23rd), contact: The Secretary, Equity & Law Life Assurance Society plc, Amersham Road, High Wycombe, Bucks HP13 5AL.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.

CHRISTIANIA BANK OG KREDITKASSE

(Incorporated in the Kingdom of Norway with limited liability)

¥15,000,000,000

7½ per cent. Notes Due 1992

Issue Price 101¾ per cent.

The following have agreed to subscribe or procure subscribers for the Notes:

Yamaichi International (Europe) Limited — *Mitsui Trust International Limited*

Application has been made for the Notes, in bearer form in the denomination of ¥10,000,000 each, constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global Note. Interest will be payable annually in arrears on 30th March in each year from and including 30th March, 1987. The first interest payment will be due on 30th March, 1988.

Particulars of the Notes and the Issuer are available in the statistical services of Extel Financial Limited. Copies of the listing particulars relating to the Notes may be obtained in the form of an Extel Card during usual business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the Quotations Department of The Stock Exchange, Throgmorton Street, London, up to and including 27th March, 1987 or during usual business hours on any weekday (Saturdays and public holidays excepted) at the addresses shown below up to and including 7th April, 1987:—

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN.

Citibank, N.A.,
Citibank House,
336 Strand,
London WC2R 1HB.

25th March, 1987

UK COMPANY NEWS

Equity & Law earnings helped by overseas sales

BY TERRY POVEY

Equity & Law Life Assurance, in which the Brierley group has a 28 per cent stake, yesterday announced a one-fifth rise in earnings for shareholders and long-term profits for policyholders. The dividend recommended is a single final payment of 8p a share, which compares with a 6.7p total in 1985.

Among the areas showing the strongest growth was mortgage-related endowment policies, up more than three-fold from a low base to £9m.

In the UK, new life business figures showed a 6 per cent rise in annual premiums and a 30 per cent rise in single premiums. Analysts consider that this placed the company sixth, out of the nine major life offices, in terms of 1986's premium growth rates.

Overseas sales, in West Germany, Holland and Belgium and including the new Isle of Man offshore operation, rose strongly. Annual premiums were up by 44 per cent to £11.8m and single premiums by two-thirds to £50.7m.

Of concern has been the possible impact of the Financial Services Act. In the UK, the company relies entirely on independent agents to sell its products and has no direct sales team. The Act requires agents either to be fully independent and to offer policies strictly on a best value basis or to identify themselves as part of the tied sales team of a certain life company.

Mr Christopher Brockson, general manager, accepted that there could be difficulties for some of the smaller independent agents on which higher fixed costs could weigh heavily. E and L has recently written to all intermediaries assuring them that it is doing its best to support the independent agents and urging them to resist the "blandishments of those offices" seeking to recruit them into tied agents' networks.

● comment

Inevitably the booming housing market has given Equity & Law's new businesses figures a good leg up, helping to compensate for a fall off in individual pensions from 1985's peak levels. The argument over the likely impact of the new Act on the company continues and despite E&L's careful pleading of its case, the City believes that the number of independents is bound to fall. The shift towards a holding company structure holds out interesting possibilities and removes some blockages on the financial services diversification road. Perhaps this prospect is what has attracted *Ron Brierley* (also a 30 per cent shareholder in NZI, one of the Antipodes largest insurers). However, E&L is tightly governed by its *articles over the split of profits* between shareholders (10 per cent) and policyholders (the rest) and keeps a minimal pool of retained earnings. With all sorts of regulatory eyes being kept on its assets and operations, E&L must rate as extremely hard to unlock. Nevertheless the shares at 354p are supported by bid hopes rather than the prospects of another good quality but undramatic 20 per cent rise in earnings.

Davidson Pearce advances to £3.9m

Davidson Pearce Group, the advertising agency which came to the market in October 1985, raised pre-tax profits by 19 per cent from a restated £3.27m to £3.89m in 1986.

Earnings per 10p share increased from 9.32p to 11.77p and the final dividend is 1.8p for a total of 3p net—last year's single final payment was 1.5p.

Billings were up 13 per cent from £85.95m to £96.79m and turnover rose to £76.02m (£67.11m). Gross profits came to £15.14m (£12.76m) before net expenses of £11.58m (£9.68m) and net interest receivable of £333,000 (£199,000).

After tax of £1.46m (£1.38m), minorities and an extraordinary debit of £108,000 this time, the attributable balance was ahead from £1.88m to £2.33m.

Comparative results have been restated in accordance with merger accounting principles.

Mr Christopher Hawes, chairman, said that at the start of 1987 the group was well placed to develop further. With an outstanding client list, and a strong balance sheet, including cash balances of £2.5m, there were significant areas of organic growth for the group to pursue as well as the addition of new operations.

● comment

It is with something of a weary ear that one hears that Davidson Pearce intends to become a "leading communications group"—a lot of money has been spent by others in a sometimes vain pursuit of the same goal. But last year CPM contributed the same level of profits growth as the main agency and some clients like Marks and Spencer and Fiat were referred by one group to the other. Whether such synergistic benefits would arise from the next move into public relations is more open to question and it is to be hoped that Davidson will be able to resist the fancier prices charged for companies in that sector. This year, unless the Conservatives lose the election, the Action for Jobs campaign should continue to give a healthy boost to billings and with a stronger performance from CPM, pre-tax profits should hit £4.5m putting the shares at 170p down 5p, on a prospective p/e of 12.5, not demanding in this sector.

BRIDPORT-GUNDRY (maker of netting, twisted and woven products) — Turnover for half year to January 31, 1987 was £17.64m (£16.96m) and pre-tax profits £442,000 (£824,000). Earnings per 20p share 2.7p (6.39p) and interim dividend 1.9p (1.65p). Second-half is unlikely to be as good as last year, but longer-term prospects are bright.

Thomas Jourdan tops £2m

Pre-tax profits of Thomas Jourdan, investment holding company, surged ahead from £1.35m to £2.06m in 1986, on an increased turnover of £15.75m, against £11.21m.

The company said yesterday that 1987 would be an exciting year. It felt the time was ripe for major expansion and was hoping to lay down a base this year to make that expansion possible.

Trading in the first two months had been slower than in the same period of 1986, partly due to bad weather at the beginning of the year when one of the subsidiaries was snowed up for over two weeks.

However, trade was now more buoyant and the year as a whole looked good, although Jourdan was not anticipating the same dramatic growth experienced in recent years.

After tax of £523,000 (£385,000) 1986 earnings per 10p share increased from 9.4p to 12.65p. The dividend total is stepped up to 4.5p (3.675p) net, with a final of 3.25p.

At the operating level, profits climbed from £1.49m to £2.23m, struck after distribution costs of £1.7m (£1.33m), administration expenses £1.41m (£1.34m) and other operating income £17,000 (£27,000).

Pre-tax results included a related company's contribution of £64,000 (£37,000) but interest payable took £225,000 (£169,000).

Bennett & Fountain's 78% profit advance

FOR THE half year ended December 31 1986 the Bennett & Fountain Group of wholesalers and retailers of electrical goods and domestic appliances lifted its pre-tax profits from £705,000 to £1.26m, or by 78 per cent.

The group, quoted on the USM, reported that its purchasing ability had been strengthened by recent growth, and the expansion strategy would continue apace in both wholesaling and retailing.

The Moss Electrical acquisition of last October was integrated into the wholesale group and significantly strengthened the group's position in the market place. In addition, two new branches were opened.

Retail group saw dramatic growth since last June reflecting the success of the Electric Discount concept.

Godwin Electrical, purchased in November, was being rationalised and performance to date was encouraging.

Turnover in the half year surged to £14.68m (£8.36m), with wholesaling accounting for £8.93m (£6.49m) and retailing for £5.75m (£1.87m). Operating profit came to £1.45m (£749,000).

Earnings for the period were shown at 1.1p (0.8p on old capital).

Ashstead buys Keyplant

Ashstead Group, the USM quoted non-operated plant and tools operator, couples the release of its first interim figures as a public quoted company with the announcement of a major acquisition.

The company is to purchase substantially the whole of the business and assets of Keyplant from Norwest Holst for £1.48m in cash and shares. The consideration is to be satisfied as to the issue of 400,000 in new ordinary shares, which are being placed by Greenwell Montagu at 161p per share, to raise £644,000, with the remainder in cash.

Keyplant achieved pre-tax profits of £306,000 on a turnover of £5.8m for the year ended March 31 1986.

Ashstead increased its interim pre-tax profits by 79 per cent, from £286,000 to £511,000 in the six months ended October 31. Turnover in the period rose from £1.72m to £2.3m. Operating profits were £585,000 (£345,000) and interest charges were £74,000 (£59,000). Tax took £153,000 (£86,000) leaving net profits of £358,000 (£200,000) and earnings per share of 6.2p (3.4p).

As forecast there is no interim dividend but the directors intend to make a final payment of 2p in respect of the year to April 30 1987.

Abbeycrest profit moves up to £1.9m

Abbeycrest, the USM-quoted producer of gold and silver jewellery, recorded pre-tax profits of £1.9m on turnover of £18.11m in the 16 months to December 31 1986, compared with profits of £760,000 on turnover of £7.5m in the 12 months to August 31 1985.

Mr Michael Lever, chairman, said that Abbeycrest was changing its year-end to December 31 to incorporate the most recent pre-Christmas trading season on a more timely basis.

At the former year-end date August 31 1986 Abbeycrest made profits of £1.01m on turnover of £9.87m.

Mr Lever commented that growth had been achieved in all product areas. Trading links both with principal multiple jewellery retailers and mail-order houses had been further consolidated, with the result that the company's presence in the ranges both of established and new customers had increased.

He said that the group's marketing policy was to support the apparent growth in the size of the total market with carefully targeted and price-pointed products designed to exploit this opportunity.

The current year has begun well.

Tax charges took £704,000, compared with £320,000 in the year to August 31 1985 and earnings per share worked through at 18.4p (7.2p). The proposed final of 1.5p makes a total for the 16 months of 4p.

STANDARD CHARTERED PLC

1986 RESULTS

The Directors announce the results of Standard Chartered Group for 1986, as follows:

	1986	1985
	£ million	£ million
Trading profit		
Company and subsidiaries	210.2	205.4
Share of associated companies	43.7	62.5
Profit before taxation	253.9	267.9
Taxation:		
United Kingdom	13.0	41.4
Overseas	72.8	60.9
Share of associated companies	10.5	23.3
	96.3	125.6
	157.6	142.3
Minority interests	6.6	9.6
Earnings	151.0	132.7
Extraordinary items	(8.7)	15.7
Profit attributable to members of the Company	142.3	148.4
Dividends: Interim	19.5	16.3
Final	35.0	31.1
Profit retained	87.8	101.0
Earnings per share	97.0p	85.3p

DIVIDEND: The Directors will recommend at the Annual General Meeting on 7th May, 1987, a final dividend of 22.5 pence per share, making a total distribution for 1986 of 35.0 pence per share. The final dividend will be paid on 15th May, 1987, to shareholders on the Register on 16th April, 1987.

Standard Chartered

Trinity International Holdings plc

Newspaper Publishers in UK and North America

Paper and Packaging in UK

Final Results

for the year ending 27th December, 1986

	1986 Full year £'000	1985 Full year £'000
Turnover	83,704	83,365
Profit before Tax	9,827	6,690
Earnings per share	54.3p	39.3p
Dividend per share	21.0p	15.0p

- Record full year trading results
- Improved productivity from all divisions
- Earnings per share up — 4th successive year

Copies of the full year results are available from:
The Secretary, Trinity International Holdings plc
P.O. Box 48, Old Hall Street, Liverpool L69 3EB
Telephone: 051-236 2664

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the share capital of the Company issued and to be issued, in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

BURFORD GROUP PLC

(Incorporated in England under the Companies Acts 1948 to 1981 with number 1639334)

Placing by

ALEXANDERS LAING & CRUICKSHANK

of

2,000,000 Ordinary shares of 25p each at 80p per share

Authorised	Share capital	Issued and to be issued fully paid
£3,450,000	in Ordinary shares of 25p each	£2,500,000

The Ordinary shares being placed rank *pari passu* in all respects with the existing issued Ordinary shares including the right to participate in full in all dividends and other distributions hereafter declared, made or paid on the Ordinary share capital of Burford Group PLC.

Burford Group PLC and its subsidiaries are a property investment and trading group. The group's current investment activities are concentrated on two major city centre commercial properties in Manchester and Birmingham and a substantial office building well located in the West End of London. Its trading principally consists of dealing in ground rents.

Particulars relating to Burford Group PLC are available in the Extel Unlisted Securities Market Service. Copies of the Prospectus may be obtained during normal business hours (Saturdays and Public Holidays excepted) up to and including 7th April 1987 from:

Burford Group PLC,
Wellington Court,
Wellington Road,
London NW8 9TD

Alexanders Laing & Cruickshank,
Piercy House,
7 Copthall Avenue,
London EC2R 7BE

25th March 1987

This notice complies with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.

Kingdom of Sweden

£100,000,000

9½ per cent. Bonds Due 1997

The following have agreed to subscribe or procure subscribers for the Bonds:

Baring Brothers & Co., Limited

Bankers Trust International Limited
Banque Nationale de Paris
Deutsche Bank Capital Markets Limited
Robert Fleming & Co. Limited
LTCB International Limited
Morgan Guaranty Ltd
The Nikko Securities Co., (Europe) Ltd.
Salomon Brothers International Limited
Security Pacific Hoare Govett Limited
Svenska Handelsbanken Group
Bank Brussel Lambert N.V.
Credit Suisse First Boston Limited
Dresdner Bank Aktiengesellschaft
IBJ International Limited
Merrill Lynch Capital Markets
Morgan Stanley International
Nomura International Limited
J. Henry Schroder Wagg & Co. Limited
Shearson Lehman Brothers International
Swiss Bank Corporation International Limited

Application has been made to the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") for the Bonds to be admitted to the Official List. Interest of the Bonds is payable annually in arrears on 15th April, the first such payment being due on 15th April, 1988.

Particulars relating to the Bonds are available in the statistical services of Extel Financial Limited and copies may be obtained during usual business hours up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange, London EC2 and up to and including 8th April, 1987 from:

Baring Brothers & Co., Limited
8 Bishopsgate
London EC2N 4AE

25th MARCH, 1987

Hoare Govett Ltd.
4 Broadgate,
London EC2M 7LE

SCOTLAND INTERNATIONAL FINANCE B.V.

US$100,000,000

Guaranteed Floating Rate Notes 1992

For the six months from 25th March 1987 to 24th September 1987 inclusive the Notes will carry an interest rate of 6⅞% per coupon.

The relevant interest payment date will be 25th September 1987. Coupon 12 will be for U.S.$167.71.

Agent Bank
Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street
London EC3P 3AH

TELEPHONE
01-246 8026
for the
FT INDEX
& BUSINESS NEWS REPORT

- Hourly updated FT index
- Sterling Exchange Rates updated 3 times daily
- Bullion, krugerrands, platinum and base metal prices
- Dow Jones Industrial Average
- Share Market Report

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UK COMPANY NEWS

Hambro Countrywide profit surge to £16m

ANNUAL PROFITS of Hambro Countryside, Britain's largest residential estate agency with 442 offices and controlled by Hambros, advanced 88 per cent from £8.66m to £16.32m at the pre-tax level.

Those figures covered the merged Bairstow Eves/Mann and Company group for 12 months ended December 31 1986 and 1985.

The merger was effective last June. The accounting date was changed to December 31 and the profit for the seven months to that date came to £11.57m. For the year ended May 31 1986 it was £10.9m.

During the year the group sold 57,250 properties with an aggregate sales value in excess of £2.87bn. The mortgage and financial services subsidiary continued the development of its services throughout the residential sales offices; 17,088 mortgages totalling over £550m were completed—the average being £32,176.

Mr Christopher Sporborg, the chairman, said acquisitions had integrated well and enabled the group to expand into attractive areas in the South of England, the Midlands, Lancashire and Cheshire.

The expansion would continue, primarily with the opening of new offices by the estate agency subsidiaries which were demonstrating substantial potential for further organic growth.

In the current year, he said, trading had started well and prospects for another successful year were extremely encouraging, "particularly in the light of the Chancellor's Budget statement."

For the seven months the dividend recommendation is 5p net, costing £2.65m, compared with a total of 4.6p for the previous year at £1.79m.

Annual turnover advanced from £39.48m to £64.58m. Tax required £5.97m (£3.28m) to leave a net profit of £10.35m (£5.38m) for earnings of 20.65p (11.79p) basic and 18.33p (11.28p) fully diluted.

The number of agencies included three that have come with the recent acquisition of Robinson Osborne and Moules, operating from Coventry, Kenilworth and Nuneaton. Consideration was £1.3m payable by instalments with an initial £425,000 satisfied by the issue of 116,100 shares and £50,000 cash.

The balance will be settled with the issue of a loan stock convertible into a maximum 363,778 shares according to profit performance over the next two years.

● comment

The whirligig of the property market did Hambro Countrywide nothing but good last year and the Budget tax cuts and the subsequent interest rate decline has improved its prospects for 1987. With 442 branches, the group can now afford to pick and choose its acquisitions and even open new branches itself, at considerably less cost than the fancy prices paid by other expanding groups. But the real reason for the fancy p/e—15.5 assuming pre-tax profits of £24m this year on shares down 15p to 415p—is the ability to flog financial services down a credit-worthy client list. The early indications are good with 30 per cent of house-selling clients "converting" to use some kind of mortgage-related financial services and with Rainbow yet to be extended to all the branches, the short term growth prospects are very good. Whether, given the public estimation of estate agents, clients will be as ready to buy non-property related financial products has yet to be seen.

Alida gets profits boost from Heath buy

Alida Holdings, the packaging group which obtained a full listing in November 1986, reported an increase from £2.78m to £3.81m in pre-tax profits for the year ended December 31 1986.

Mr Rex Stone, chairman, stated that pre-tax margins continued their upward trend and the improvement was further assisted by the contribution from the Heath group which was acquired in July 1986. At operating level the profit contribution from Heath increased by 84 per cent and other companies showed a 25 per cent rise.

The expansion into polymer distribution and the merchanting of packaging products meant that 40 per cent of pre-tax profits were generated from these sources with the balance being earned from the manufacture of polythene film products.

Mr Stone said that the current year had started well and Alida expected 1987 to benefit from the continued integration of the newly acquired companies and the heavy investment in plant in the 3rd quarter of last year. Capital investment in 1986 was again at a high level of £3.36m.

Turnover last year advanced from £35.28m to £38.48m, tax charged was £1.35m (£1.1m) and minority interests were £6,000 (£17,000) leaving a net attributable profits of £2.41m (£1.67m) after an extraordinary debit of £36,000 (nil) in relation to the full listing expenses. Comparative figures have been adjusted in accordance with the principles of merger accounting.

A final dividend of 5.75p has been proposed making a total of 8p (6.5p adjusted) against stated earnings of 22.1p (15.5p adjusted) for the 25p shares.

Arenson

Arenson Group, maker of office furniture and equipment, raised pre-tax profits by 49 per cent from £236,000 to £351,000 for the half year to February 1 1987, on turnover up 17 per cent at £8.15m, against £6.95m.

Mr Archy Arenson, chairman, said he expected the usual pattern to emerge this year of higher sales and profits in the second half.

Earnings per 10p share were 2.63p (2p) and the interim dividend is 0.55p (0.4p) net—last year's total was 1.1p.

Pressac lifts its profits up to £1m

Pressac Holdings, a Nottingham-based electro-mechanical component manufacturer and precision engineer, boosted pre-tax profits substantially from £620,000 to £1m in the six months to January 31 1987. Turnover was lifted from £10.6m to £13.1m. Pressac shares rose 13p to close at 233p.

The directors said that the confidence expressed in October when the company reported year-end pre-tax profits up 52 per cent to £1.7m, had been sustained and the group's current performance should provide the foundation for another very successful year.

Tax charges rose from £250,000 to £439,000 and profits attributable to shareholders increased from £340,000 to £568,000. Earnings per share worked through at 7.1p (4.25p).

The directors declared an increased interim payment of 0.85p, compared with 0.7p

Lopex exceeds profits and dividend forecast

Lopex, the international communications group, exceeded the forecasts made in May, 1986 when the shares were offered for sale.

Pre-tax profits show an increase of 54 per cent, from £2.33m to £3.58m in the year to December 31, 1986, which included £288,600 benefit from a pensions contribution's holiday. Earnings per 5p share are 60 per cent higher at 12.4p and a final dividend of 2.4p makes a total of 4.2p against the 4p foreshadowed.

Mr John Castle, the chairman, said that the group had continued to develop internationally. In 1986 some 57 per cent of group pre-tax profits arose in the UK and 43 per cent overseas. The break-down in profit contribution was 27 per cent consumer advertising; 19 per cent corporate communications; 21 per cent market research and data services and 33 per cent marketing services.

Mr Castle said that 1987 had started well with significant new business being gained in all areas of activity. While it was too early to make a forecast the board was confident that it would be another year of substantial progress.

Turnover last year rose 13 per cent from £100.11m to £112.95m; the cost of sales totalled £81.61m (£73.21m). Revenue for the year was £31.34m (£26.9m) and administration expenses took £28.06m (£24.47m); net interest payable was £522,000 (£420,000).

The share of profits, less losses, of related companies amounted to £822,000 (£312,000). Deducting minority interests of £511,000 (£488,000) and tax of £1.46m (£923,000) left net attributable profits of £1.59m (£918,000) before an extraordinary charge of £38,000.

COMPANY NEWS IN BRIEF

ARTHUR WOOD & SON (Longport), (manufacturers of fancy earthenware): Dividend of 2.5p (same) for year to December 31, 1986. Turnover £4.03m (£3.55m) and pre-tax profit £209,000 (£140,000). Tax charged was £78,000 (£58,000) leaving earnings per share of 6.41p (3.95p).

NORISH (food storage): Final dividend 6.1p net. Sales £14.68m (£4.26m) (£23.37m) and pre-tax profit £2.03m (£1.51m). After tax of £1.78m (£1.25m) and minorities of £81,000 (£19,000), earnings per share were 28.9p, against 20.6p.

TAY HOMES (USM-quoted residential estate developer and builder): Interim dividend 1.77p (1.54p). Pre-tax profits £930,000 (£324,000) on turnover of £7.27m (£5.49m) for the six months to end-December 1986. After tax of £343,000 (£130,000) earnings per share were 11.02p (3.64p).

READYMIX: Turnover for 1986 was £16.55m (£17.5m) and pre-tax profit £896,000 (£303,000). Earnings per share 1.87p (0.53p) and net assets per share 23.9p (22.8p).

EADIE HOLDINGS (USM-quoted engineer): Final 1.5p dividend as forecast at time of flotation in May 1986. Pre-tax profits for 1986 were £702,000 (£249,000), including an exceptional credit of £202,000. Turnover £8.71m (£7.22m). Tax took £108,000 (£46,000) to leave earnings per share of 7.45p (3.35p). Directors are considering substantial potential acquisitions.

PANTHERELLA (men's socks manufacturer): 1986 turnover £5.03m (£4.61m) and pre-tax profit £696,000 (£761,000). Tax £253,000 (£313,000) and attributable profit £445,000 (£448,000). Earnings per share 11.12p (11.19p). No final dividend because of intended offer from Great Universal Stores.

YEARLINGS — The interest rate for this week's issue of local authority bonds is 9⅛ per cent, down ⅛ of a percentage point from last week, and compares with 10⅜ per cent a year ago. The bonds are issued at par and are redeemable on March 30 1988. A full list of issues will be published in tomorrow's edition.

RADIO CITY (Sound of Merseyside): Chairman told shareholders at AGM that return towards profitability was continuing and that a group profit after finance charges was anticipated for half year to March 31 1987 compared with a loss of £169,000 for corresponding period. With regard to Beatle City, negotiations for sale of both exhibition and Seel Street premises were at an advanced stage.

EGERTON TRUST: At AGM company revealed details of an extensive development programme and reiterated its intention to expand further through acquisition. Chairman said he was very enthusiastic about prospects for the coming year. "We have already acquired a substantial operation in the US and are seeking other opportunities to expand our activities both in the UK and North America."

BEN BAILEY Construction: Interim dividend 0.4p (nil) for six months ended December 31, 1986. Turnover £3.74m (£3.5m); profit after all charges, including tax of £137,000 (£12,250 credit), was £97,000 (£104,000 loss). Earnings per share were 1.85p (1.98p loss). Directors are confident of continued improvement.

RENOLD, the international engineering group, has sold its interests in robotics to Crocus, a new company set up by a team of former managers and employees.

BOARD MEETINGS

TODAY

Interims: German Securities Investment Trust.

Finals: Associated Book Publishers, Automated Security, Benro Industries, Charles Baynes, BAT Industries, BICC, Benrose Corporation, Bowthorpe, Bridon, Britannia Arrow, Britannic Assurance, Delta, Gibbs and Dandy, Ibstock Johnsen, Hepworth Ceramic, Kalamazoo, Lowe Howard-Spink and Bell, Bernard Matthews, John Maunders, Northern Engineering Industries, Ocean Transport and Trading, Reliance Security, Spring, Stag Furniture, AG Stanley, Steel Burrill Jones, Technical Component Industries, Tricentrol, VG Instruments.

FUTURE DATES

Interims:

Save & Prosper St'ling Dep. Fd.	Mar 27
Scottish Metropolitan Property	Apr 24

Finals:

Aberdeen Steak Houses	Apr 9
Alexandra Workwear	Apr 7
Anglo-American Invest. Trust	Apr 2
Anglo Eastern Plantations	Mar 31
Beauford	Apr 2
Colorol	May 21
Combined English Stores	Mar 31
Cookson	Apr 2
EBC	Mar 30
Elys (Wimbledon)	Apr 1
Emess Lighting	Mar 30
Executex Clothes	Mar 30
Hunting Petroleum Services	Apr 2
Jerome (S.)	Apr 8
New Court Trust	Apr 7
Peerand	Mar 26
Quick (H. J.)	Mar 31
Reckitt and Colman	Apr 2
Rio Tinto Zinc	Apr 8
Scottish Heritable Trust	Mar 31

This advertisement does not constitute an invitation to the public to subscribe for or purchase shares. Application has been made to the Council of The Stock Exchange for the whole of the Ordinary Share capital and Warrants of Melville Street Investments PLC issued and now being issued to be admitted to the Official List. It is expected that dealings in the Ordinary Shares and Warrants will commence on 1st April, 1987.

MSI

Melville Street Investments PLC

(Incorporated in Scotland under the Companies Acts 1948 to 1967, Number 52944)

Placing

by

THE BRITISH LINEN BANK LIMITED

of 4,665,600 Ordinary Shares of 25p each (with Warrants) at 114p per share

Placees will receive one Warrant for every five Ordinary Shares acquired. Each Warrant confers the right to subscribe for one Ordinary Share at 146p per Ordinary Share on 31st August in any year from 1989 to 1994.

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£6,250,000	Ordinary Shares of 25p each	£4,665,600

BUSINESS

Melville Street Investments PLC is an investment company. Its objective is the achievement of long-term capital growth through the provision of venture and development capital for the financing of unlisted small and growing businesses and by assisting the financing of management led acquisitions of companies. It is the policy of the Company to invest in businesses operating in the U.K.

The British Linen Bank Limited has made arrangements for the placing of the Ordinary Shares and Warrants. Cazenove & Co., broker to the Placing, has placed 3,499,200 Ordinary Shares (with Warrants) with its clients. 1,166,400 Ordinary Shares (with Warrants) have been allocated to Bell Lawrie Limited for distribution to its clients.

Particulars relating to Melville Street Investments PLC are contained in new issue cards circulated by the Extel U.K. Listed Companies Service and copies of the Listing Particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 27th March, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 15th April, 1987 from the addresses shown below:

The British Linen Bank Limited, 4 Melville Street, Edinburgh EH3 7NZ

Melville Street Investments PLC, 4 Melville Street, Edinburgh EH3 7NZ

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN

Bell Lawrie Limited, Erskine House, 68 Queen Street, Edinburgh EH2 4AE

25th March, 1987

ADVERTISING • SALES PROMOTION • STUDIO SERVICES • DIRECT MARKETING • ADVERTISING

DIRECT MARKETING • EXECUTIVE SEARCH • FIELD MERCHANDISING • ADVERTISING • NEW PRODUCT DEVELOPMENT

SALES PROMOTION • FIELD RESEARCH • STUDIO SERVICES • EXECUTIVE SEARCH • NEW PRODUCT DEVELOPMENT • DESIGN

Davidson Pearce Group plc

Annual Results

Profit before tax up 18·9%
Earnings per share up 26·3%

Results of the Group for the year ended 31st December 1986

	1986 £000	1985 £000	change %
Billings	96,793	85,949	+12·6
Turnover	76,019	67,109	+13·3
Pre-tax profit	3,892	3,273	+18·9
Taxation	(1,456)	(1,380)	+5·5
Minorities	(3)	(12)	
Profit attributable to shareholders before extraordinary item	2,433	1,881	+29·4
Extraordinary item	(108)	—	
Profit attributable to shareholders after extraordinary item	2,325	1,881	
Dividends	(528)	(254)	
Retained profits	1,797	1,627	
Dividend per share	3·0p	1·5p*	
Earnings per share	11·77p	9·32p	+26·3

*Final dividend only

Copies of the Annual Report are available from the Company Secretary, Davidson Pearce Group plc, 67 Brompton Road, London SW3 1EF.

The Davidson Pearce agency enjoyed another successful year with record levels of billing, income and profits. Several important new clients were added together with new assignments from existing clients. The agency continued to be very active in new product development work for its clients. Davidson Pearce Associates, a specialist division of the agency, formed in April 1986, made a strong start gaining several clients in its own right as well as undertaking work for the main agency.

Towards the year end the group took its first major step in its plan to build a substantial advertising and communications group when Counter Products Marketing joined the group. CPM is a leading sales promotion group in the top ten of its sector with a strong client list of major national and international advertisers. In 1986 CPM turnover and profits increased over 1985 by 50%.

The Davidson Pearce Group is now one of the leading advertising and communications groups in the UK. It offers its clients a wide range of services through from advertising to direct marketing, creative sales promotion, promotional handling and fulfilment, auxiliary field services, staff selection and design. Good progress has been made already in introducing the services of member companies in the enlarged group to its existing clients.

At the start of 1987 the group is well placed to develop further. During 1986 we strengthened both group and company management resources with internal promotions as well as appointments from outside.

With an outstanding client list, strong balance sheet, including cash balances of £2½ million, there are significant areas of organic growth to pursue as well as the addition of new operations to the group.

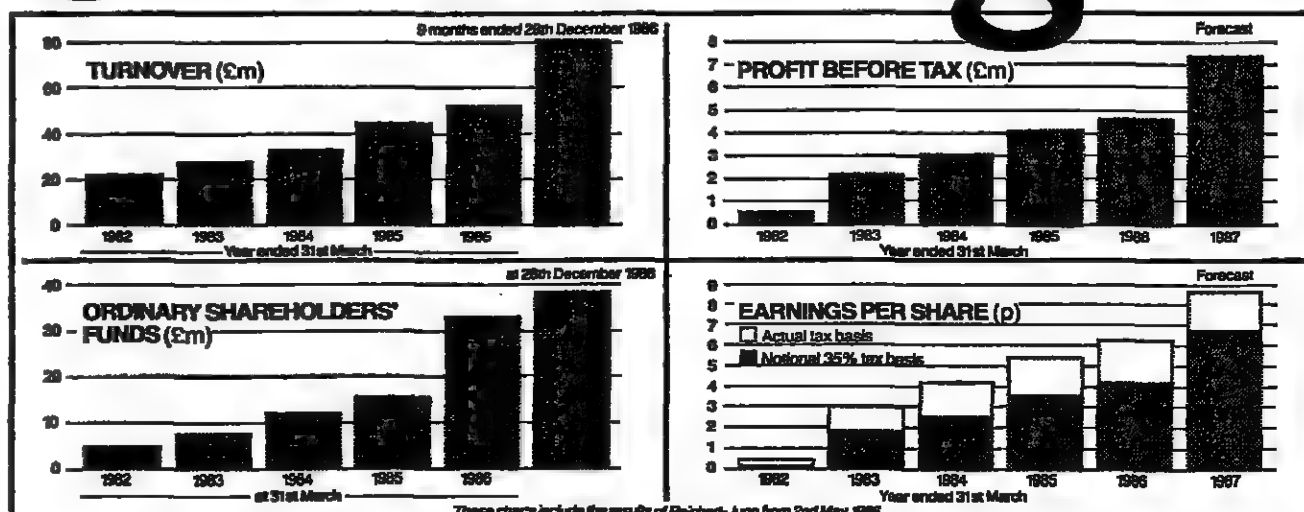
Our objective continues to be to build a leading and profitable group in the three key areas of advertising, marketing services, and public relations which delivers the highest standards of creativity and service to our clients.

The directors are recommending a final dividend of 1.8p per share payable on 18th May, 1987.

Christopher Hawes
Chairman

ADVERTISING • SALES PROMOTION • STUDIO SERVICES • DIRECT MARKETING • ADVERTISING

Is this why they say going up to Cambridge?



In the next few days some of the shares in Cambridge Instruments will be going up in another way – going up for sale to the public.

Now you will be able to apply for shares in one of the leading high technology and precision instruments groups.

And, as an international company, Cambridge has also been going up in the world.

Founded over 100 years ago, it now has manufacturing centres in Europe, the US and the UK and sales and service units spread over eight countries.

It's also a high technology company with some highly impressive figures.

Over the past 5 years pre-tax profits have gone up from £539,000 to a forecast £7.5 million for the year to the 31st of this month. Assets, before this offer, stand at nearly £40 million. And employees now number nearly 3000.

Look out for the full Cambridge prospectus in national newspapers, this Friday.

It could be quite an education.

Cambridge Instruments SHARE OFFER

Issued by Kleinwort Benson Limited on behalf of The Cambridge Instrument Company plc. This advertisement does not constitute an offer or invitation to subscribe for or to purchase any shares in the company. Copies of the prospectus will be available from Kleinwort Benson Limited, at 20 Fenchurch Street, EC3P 3DB from 26th March 1987.

Robert Thomson on hard decisions facing agricultural planners

China's faltering grain revolution

DENG XIAOPING, the Chinese leader, says China, must not import more than 10m tonnes of grain this year, according to Hong Kong's Ming Pao newspaper.

He believes that grain output is one of several key issues that will influence the whole development of the economy, Reuter reports from Peking. The situation has reached the point where "pigs are not fed, there is not enough grain and increases in output have slowed.

"We should in our overall economic planning put agriculture in its proper place to reach our target of 480m tonnes (of grain production) by the year 2000."

ZHU GUAMING has prospered from growing maize and wheat. He is planning to renovate his courtyard-style home in Dacun village in the northern province of Shanxi, earns four times the average income, and has a colour television. A refrigerator is on the way.

Yet Zhu, a Communist Party member, and millions of other Chinese peasants want to leave the land for more lucrative pursuits. He wants to buy a truck and start a haulage business: "Then, I could earn even more money."

Such ambition is one of many factors working against China's grain production drive, which has always been a sensitive political issue. This year the signs are that output will be well below initial goals, and increased imports will be needed while foreign exchange is in short supply.

The weather has been unfavourable, with 40 per cent of the winter crop suffering from a lack of moisture. While the unusually warm winter has also prompted fears that an already bad insect problem will become more serious.

Wang Keping, director of the grain and oils division of the Ministry of Agriculture, Animal Husbandry and Fisheries, claims that farmers have been provided for in the best way possible and the foundation has been laid for a very good grain crop this year. His department has warned farmers to take preventative measures to avert a possible "pest disaster."

China's grain output last year of 390m tonnes was the second highest on record, up 10m tonnes on 1985, but down on the 1984 peak of 407m tonnes. This suggests that production has levelled off after continuous growth since 1978 under the rural reform programme.

Output in 1978 was 305m tonnes, and annual growth of around 5 per cent brought the figure up to 387m tonnes in 1983. This year's reduced the goal is 400m tonnes, several weeks ago Chinese officials were confident that the 1984 record could be equalled.

Agriculture officials in Shanxi are aware that the problem is partyl due to the likes of Zhu Guaming. They are increasing the incentive for peasants to grow grain by reducing the state purchase figure from 14 per cent to 10 per cent of output. This will allow more grain to be sold on the free market at a higher price—the market price is about 17 US cents a kg while the fixed price is only 10 cents.

Sun Gengwu, the deputy director of the Shanxi agriculture and animal husbandry department, says the province has started to zone areas for cash crops and grain to check the neglect of grain by farmers.

Another problem is that farmers who are growing grain are not prepared to invest enough in improving their land. On average, peasants raised their personal spending by 5.4 per cent last year, but spent 11.2 per cent less on land improvements and other means of increasing production. Grain production in Shanxi last year was down to the levels of the late 1970s, and the net income of every peasant fell by just over 3 per cent.

Other factors contributing to the grain problem include a chronic shortage of chemical fertiliser, more in disease and transport deficiencies. The downturn, which is more marked in Shanxi than most other provinces, raises doubts about the future of the agriculture reforms.

Grain was a pet issue of Mao Zedong, the late Communist Party chairman, who ordered the peasantry to "dig tunnels deep and store grain everywhere" when the country was on the brink of war with the Soviet Union two decades ago. Mao believed that a China self-sufficient in grain could survive invasion.

Senior conservatives have warned for several years that "chaos" would result if grain output declined. So they have pushed for guarantees of self-sufficiency. At a special Party Congress in September 1985, Chen Yun, an elderly and influential Politburo member said: "Peasants are no longer interested in growing grain. They are not even interested in raising pigs and vegetables because in their opinion there can be no prosperity without engaging in industry."

Chen's fears have been proved well-founded. In recent weeks, the Chinese Press has been dominated by commentaries stressing the need to increase grain production and pointing out that agriculture now faces a "severe test."

In Shanxi, Sun Gengwu says several land improvement schemes have been launched, including increased use of plastic covering and improved supply of chemical fertiliser. But some of the programmes suffered from the over-ambitiousness so common in provincial officials—Sun, for instance, predicted that a change in the strain of potatoes would lead to a doubling of their output this year.

However, conservative leaders, who have gained in strength with the forced resignation in January of Hu Yaobang, the liberal-minded Party general secretary, are likely to be impatient, and can be expected to recommend significant policy changes if the schemes in place fail to increase production.

Those conservatives will point to the drain on foreign exchange reserves of increased imports, and the potential loss of income from curbed grain exports. Diplomats say wheat imports, which have traditionally made up about 95 per cent of grain imports, are likely to be at least 10m tonnes this year, up from around 7m tonnes last year.

CHINESE GRAIN PRODUCTION
(million tonnes)

1987 *	400	1982	354
1986	390	1981	325
1985	380	1980	320
1984	407	1979	332
1983	387	1978	304

* State plan figure

Source: Chinese Ministry of Agriculture

LME plans $ aluminium trading

BY STEFAN WAGSTYL

THE LONDON Metal Exchange is to launch a new high-grade aluminium contract priced in US dollars, breaking a century-old tradition of trading only in sterling.

The contract will also be the first to include a delivery point outside Europe, at a warehouse in Singapore, to serve LME clients in the Far East.

The moves, announced yesterday, reflect the exchange's growing willingness, in the face of considerable commercial pressures, to become more responsive to the demands of its international customers. In pushing through the reforms, after months of debate, the exchange's reform-minded members have had to overcome opposition from more conservative traders who are afraid that the LME might be spreading its resources too thinly.

Mr Mike Brown, LME chief executive, said last night: "I'm very pleased this has come to fruition. It's a step in the right direction."

The new contract will be launched on June 1, the first trading day after the exchange introduces its planned clearing system on Friday, May 29.

In response to demands from aluminium producers, the contract will be for metal of 99.7 per cent purity. The existing sterling contract is for 99.5 per cent purity aluminium. Producers say that having a publicly-quoted price for lower grade metal drags down prices. The sterling contract will continue to be traded but LME members expect business to gravitate towards the dollar contract.

The LME originally hoped that it could open its first Far Eastern warehouse in Japan, but it proved impossible to solve the legal and tax problems posed by the need to establish duty-free status for a Japanese warehouse. Nevertheless, Japanese customers are expected to be among the most frequent users of the Singapore warehouse, which will be owned and run by Steinweg, a company which manages a number of LME warehouses in Europe, including those in Rotterdam.

The LME Board and committee said it would continue to consider the question of approving Singapore as a delivery point for other metals.

Far East coal imports 'to treble'

By Maurice Samuelson

IMPORTS OF coal for use in power stations in Far East countries are expected to increase three-fold by the end of the century, but world coal prices may rise much more slowly, according to Mr James Harrison, deputy director of British Coal's coal research establishment.

Imports into Asian countries, including Japan, would rise from 48m tonnes in 1985 to 152m tonnes a year by 2000, he told a coal industry conference in Hong Kong.

He also cited forecasts suggesting that prices of coal from most major Western producers would go up by little more than a third. In the case of Queensland coal, prices would rise by only a dollar from last year's $33 a tonne fob.

Expectations of rising demand reflected the fact that in most Pacific Rim countries electricity generation absorbed a big share of public sector investment, more than 40 per cent in Korea and more than 30 per cent in the Philippines. Turning to other countries, he said:

● In Japan, there were plans to increase the amount of coal used in power stations from 30m tonnes a year in 1985 to 68m tonnes a year by 2000.

● In South Korea, despite scaling down investment intentions because of a sizeable surplus of generating capacity, Korean Electric Power Corporation intended to install seven 500 MegaWatt coal-fired stations in the early 1990s.

US sees higher Soviet cereal imports

BY NANCY DUNNE IN WASHINGTON

THE US Department of Agriculture has raised its estimate of Soviet grain imports for 1986-87 by 3m tonnes following reports that bad weather has damaged winter crops.

In its March USSR grain situation and outlook report, the department said that a cold wave swept winter grain areas in early March, and it quoted an Izvestia report that winter crops in the Soviet Union have "perished" on about 9m hectares because of harsh weather conditions.

"This statement suggests a 24 per cent decrease in the estimated 37m hectares reportedly sown to winter crops," the Department said. The USDA estimates the winter grain area sown for the 1987 crop at about 33m hectares. In recent years, average annual winterkill of grains has been estimated at about 17 per cent.

The Department boosted its estimate of Soviet wheat imports this year by 1m tonnes to 15m tonnes. Coarse grain imports are now expected to total 10m tonnes, 2m more than estimated last month.

Most of the increase results from recent US and Argentine purchases, although an allowance has also been made for some additional Canadian and EEC barley purchase, the Department said.

USSR grain purchases for 1986-87 so far total about 23m tonnes, including 13m of wheat and over 9m tonnes of coarse grain.

Cattle production is expected to reach a record high of 95.6m head in 1987. Grain used for feed is estimated at a record 129m tonnes.

Moscow has been importing large quantities of feed quality wheat, which has been priced well below maize during the marketing year. Feed wheat imports, totalling about 4m tonnes, are principally from Canada and the EEC.

Coffee slide adds to Costa Rica's woes

BY JOHN WICKS, RECENTLY IN SAN JOSE

COSTA RICA is seeking a 37 per cent rise in its International Coffee Organisation (ICO) export quota.

The Central American republic is among those producers badly hit by the failure of negotiations in London earlier this month to set new quotas. Although it has a notably high standard of living in comparison with other countries in the region, Costa Rica is also faced by the second heaviest external-debt burden in Central America, after Nicaragua's. The cut in export earnings from depressed coffee prices also has a direct effect on the exchequer in that the coffee tax is lowered as prices fall, dropping from 18 to only 4 per cent to date—and this on a much lower base. Coffee normally accounts for more than a quarter of the country's export earnings.

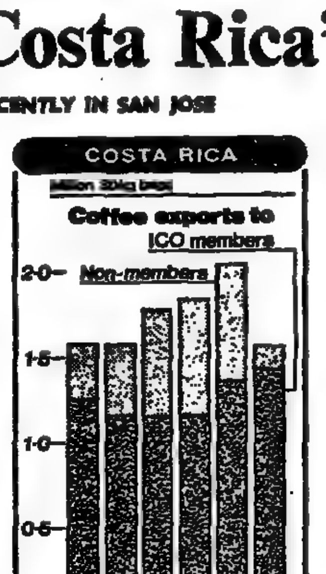
The refusal of Brazil and other leading producers to give up part of their former quota was recently called "unjust and autocratic" by Mr Luis Diego Escalante, Costa Rica's Minister of Economic Affairs and Trade. Costa Rica was among the most vocal critics of Brazil, Colombia and major African producers at the recent London ICO meeting. Apart from presenting what Mr Escalante termed its "theory of justice and equity," the Minister pointed out that Costa Rica would be able to make full use of an increased quota—unlike some "more favoured countries under ruling conditions who enjoyed a quota in excess of their sales capability."

Costa Rica, which in recent years has almost doubled its coffee production, formerly had an ICO quota of 2.16 per cent. In London, the major producers had proposed only a small increase to 2.24 per cent of average sales, while the consumer countries—much more sympathetic to the case of the smaller producers—suggested 2.59 per cent. Costa Rica itself went for what it sees as a realistic 2.96 per cent. Together with other Central American countries, it is soon to send a delegation to Brazil to try to negotiate directly.

The Costa Rican Coffee Institute (ICAFE) puts the 1986-87 crop at some 2.99m 46-kilo quintals, the equivalent of just under 2.3m of the standard 60-kilo bags. Of these, just over one-half had been shipped by early March. In fact, a crop of this size could hardly have been sold within the ICO system under the former quota, even without taking into account the decline in consumption in most markets other than Japan.

With the former, insufficient quotas, Costa Rica had already had to find markets outside the ICO to take what would otherwise have been surplus production. There are indications that over one-third of the crop was being sold to non-members—largely members of the Eastern bloc. This necessitated "re-export," reportedly in part via Nicaragua.

Mr Carlos Montealegre, of the San José coffee firms Beneficios Montealegre and Benefico El General, feels that current price



needs to rise by at least 25 per cent. The Costa Rican coffee growers have, he says, improved their operational economics substantially over the past 25 years, making better use of land and reducing unit costs. "We can become more efficient, but it has to be done slowly." The industry, he adds, has seen cyclical setbacks like the current situation before "though never such wild fluctuations."

The coffee exporters, like other representatives of Costa Rican business, feel that the local currency is still overvalued at around 60 colons to the dollar. However, the National Bank is to continue its series of regular mini-devaluations; its President has indicated that these will represent annual rates of "3 to 5 per cent" this year and next.

Coffee is not the only Costa Rican product suffering from weak demand and correspondingly weak prices. Professor Francisco de Paula Gutierrez, director of the economic programme with the Central American Institute for Corporate Administration (INCAE), says: "I am more worried about bananas than coffee." With Costa Rican labour noticeably dearer than that in Honduras, for example, some banana plantations have already been grubbed up; though the Government is considering an easing of the banana export tax, the market is hardly very attractive. Sugar, he says, is another product faced by problems, not least due to a cut in US import quotas.

With all this, together with a less-than-attractive price for the beef which represents another major sector of the country's agriculture, Costa Rica is having to cast its net rather wider. Economic diversification is, in fact, not without its successes. According to Professor de Paula Gutierrez, the share of "non-traditional" exports rose from $240m out of a total of $970m in 1985 to some $330m out of $1.1bn last year. Non-traditional products include such manufactured goods as textiles and clothing but also agricultural produce like flowers, pineapples and melons.

LONDON MARKETS

SQUEEZES ON supplies available for immediate delivery were again very much in evidence on the London Metal Exchange's copper and aluminium markets yesterday. Cash prices are normally at a discount to the three months positions on the LME but nearby tightness can turn discounts into premiums—known as "backwardations." That is the situation on all the LME markets except nickel at the moment but the aberrations are most marked in copper and aluminium. Yesterday cash Grade A copper gained £17.50 to £943 a tonne while the three months price rose only £6.25. As a result the backwardation widened to £40.75 a tonne. Cash aluminium's £17.50 rise to £843 a tonne was £4 bigger than the three months position's gain, widening its backwardation to £49.25 a tonne. Covering by grantors of options expected to be declared in late March and late April again played a part in heightening the tightness in both markets. And in copper's case news of the temporary shutdown of Asarco's Hayden smelter in Arizona was also a factor.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

Gold rose just $¼ an ounce from Monday's close in the London bullion market yesterday to finish at $408¾-409.

SILVER

Silver was fixed 8.25p an ounce higher for spot delivery in the London bullion market yesterday at 362.05p. US cent equivalents of the fixing levels were: spot 571.15c, up 14.9c; three-month 580.5c, up 15.4c; six-month 589.75c, up 15.6c; and 12-month 607.85c, up 16.05c. The metal opened at 353¼-356½p (572¼-574c) and closed at 353-355p (570-572c).

MEAT

JUTE

INDICES

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DOW JONES

MAIN PRICE CHANGES

COFFEE

Robustas closed steadier in light conditions, reports Drexel Burnham Lambert. In the absence of origin sales and with short-term moving averages crossing over, the market was able to maintain a short-covering rally to the close.

COCOA

Following an unchanged opening futures traded in a £16 range and ended on an uninspiring day near the highs, reports Gill and Duffus.

POTATOES

The market opened £1.00 easier but profit-taking, following recent heavy buying, resulted in a quick recovery to unchanged levels during early trade. The market continued to trade with trading in a limited range, reports Coley and Harper.

SUGAR

LONDON DAILY PRICE—Raw sugar $151.50 (£118.00), up 50c (down 50p) a tonne for April/May delivery. White sugar $206.00, down £1.00. Stale long liquidation allied with chart selling caused prices to fall to new lows for the move, reports C. Czarnikow.

SOYABEAN MEAL

FREIGHT FUTURES

Profit-taking and stop-loss selling saw market touch limit-down for October at 979. However, there was a bounce back with half of Gulf/Japan being fixed at $16.50, reports Clarkson Wolff.

OIL

In a very thin trade May Brent opened at $17.75 but was selling at $17.60 by the close. The premium for April over May widened 10c to 50c. May WTI opened 8c up on Nymex and traded 25c up at 1.30 pm EST. In the petroleum products market the light end of the barrel had a weaker undertone but gas oil and fuel oil rose in line with futures and better buying interest—Petroleum Argus, London.

GRAINS

Old crop had a quiet start after the previous day's expiry of the March positions, but rallied strongly in later trading on commission house and speculative support. New crops followed a similar pattern, reports T. G. Roddick.

GAS OIL FUTURES

HEAVY FUEL OIL

RUBBER

PHYSICALS — The London market opened slightly steadier, attracted little interest throughout the day and closed quiet, reports Lewis and Peat.

US MARKETS

A WEAKER DOLLAR provided underlying support to the metals, reports Drexel Burnham Lambert. Gold, silver and platinum futures rallied on a combination of trade, commission house and local buying before profit-taking pared gains. However, late in the session, fresh buying emerged which touched off stops to push prices higher towards the close. In active morning trading copper made new year highs but trade and local profit-taking pared gains. Crude oil futures steadied, initially in light volume, as fund, commission house and local buying emerged. Early scale-up trade selling dissipated as fresh buying, including the trade, held prices steady for the rest of the session. The other energy futures were also steady on continued constructive expectations for the API statistics. Initial heavy fund-type selling in sugar futures touched off commission house stops as the market declined sharply in the face of good scale-down trade buying. Coffee futures rallied on short-covering and price-fix buying. Cotton futures featured both trade selling and continuous commission house buying in what was described as a choppy session. Heavy commission house liquidation depressed orange juice prices in the face of good scale-down trade buying. The grains were quiet, gaining some support from the dollar's weakness. There was commercial buying in both the maize and wheat futures and bullspreading in the soyabeans. Cattle and pork bellies continued their technical reactions, remaining weak for most of the day.

NEW YORK

CHICAGO

March 25 1987

هكذا من الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up from record low

THE DOLLAR recovered from record lows to finish little changed on the day, after reports that the US Federal Reserve Board had given support. Earlier trading in Tokyo had seen the dollar fall to a record low of Y148.40 as the market digested comments made by Mr James Baker, US Treasury Secretary, suggesting that the G6 meeting had not agreed on any particular trading range for the dollar.

This was seen as an attempt to put further pressure on the Japanese authorities, following a disagreement over trade agreements and the opening of Japanese markets to US products. However the situation was reversed after the start of trading in New York when it was suggested that the US Fed had been active supporting the dollar. This seemed odd since, with hindsight, no support would have been necessary if Mr Baker's comments had not been construed as a renewed attempt to talk the dollar down.

The dollar still finished at a record closing low against the yen at Y149.25 up from a record trading low of Y148.40 but down from Y150.15 on Monday. Against the D-Mark it was slightly firmer at DM 1.8215 from DM 1.8200, having touched a low of DM 1.8075. Elsewhere it finished at SFr 1.5220 from SFr 1.5230 and FFr 6.0650 compared with FFr 6.0600.

On Bank of England figures, the dollar's exchange rate index finished at 102.4 from 102.5.

STERLING—Trading range against the dollar in 1986-87 is 1.6175 to 1.3700. February average 1.5274. Exchange rate index 72.2 against 72.3 at the opening and 72.5 on Monday night.

Sterling failed to cope with a weaker dollar and although it initially showed a rise against the US unit, this was never sufficient to offset the dollar's losses elsewhere. Consequently the pound showed a loss against major European currencies for the entire day. There was little change in sentiment but there was a feeling that the pound had come far enough fast enough for the time being and since most of its improvement was on the back of hot money, it was hardly surprising that a fundamental break out by the dollar upset the equation.

The pound closed at $1.6115, having touched a high of $1.6235 and compared with Monday's close of $1.6175. Against the D-Mark it fell to DM 2.9350 from DM 2.4950 and Y240.50 compared with Y242.75. Elsewhere it finished at SFr 2.4525 from SFr 2.4650 and FFr 9.7725 from FFr 9.8025.

D-MARK—Trading range against the dollar in 1986-87 is 2.4719 to 1.7870. February average 1.8234. Exchange rate index 147.1 against 140.2 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8116 from DM 1.8205 on Monday. Trading was quiet in the morning as attention focused on the dollar' break out of its recent trading range against the yen. However the dollar's weaker trend was reversed in the afternoon as the market reacted to reports that the US Federal authorities had given support to the dollar.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 149.25. February average 153.36. Exchange rate index 213.4 against 217.1 six months ago.

Intervention by the Bank of Japan failed to prevent the dollar from reaching a record low of Y148.40 in Tokyo yesterday. Estimated support of over $1bn had a limited overall effect and the US unit finished at Y148.80 down from Y150.05 in New York and Y150.75 in Tokyo on Monday. The break through Y150 gave rise to speculation that a rush of selling could develop, sending the dollar down to Y145.0.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0233	+1.33	+0.89	± 1.5344
Danish Krone	7.85212	7.80731	−0.57	−1.01	± 1.6404
German D-Mark	2.05853	2.07641	+0.87	+0.43	± 1.0981
French Franc	6.90403	6.91374	+0.14	−0.30	± 1.3674
Dutch Guilder	2.31943	2.34575	+1.13	+0.69	± 1.5012
Irish Punt	0.768411	0.777210	+1.15	+0.71	± 1.6684
Italian Lira	1483.58	1478.69	−0.33	−0.33	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6080-1.6235	1.6110-1.6120	0.48-0.45 c pm	3.46	1.24-1.19 pm	3.02
Canada	2.1048-2.1178	2.1050-2.1060	0.57-0.47 c pm	2.96	1.42-1.26 pm	2.55
Neth'lands	3.31¼-3.32¼	3.31¼-3.32¼	1⅛-1⅛ c pm	4.52	3½-3⅛ pm	3.99
Belgium	60.60-60.92	60.60-60.70	17-10 c pm	2.67	40-29 pm	2.28
Denmark	11.03-11.06¼	11.03-11.04	Par-⅛ ore dis	−0.14	⅛-½ dis	−0.11
Ireland	1.0965-1.1025	1.0975-1.0985	0.25-0.45 p dis	−3.83	0.70-1.10 dis	−3.28
W. Germany	2.93-2.94¼	2.93-2.94	1⅝-1½ pf pm	6.13	4⅛-3⅞ pm	5.45
Portugal	224.75-227.08	224.75-225.65	62-147 c dis	−5.57	267-387 dis	−5.81
Spain	205.80-206.58	205.80-206.20	98-130 c dis	−6.64	260-317 dis	−6.57
Italy	2086¼-2095	2089½-2090½	2-par lire pm	0.57	3pm-2 dis	0.10
Norway	11.05-11.11¼	11.05-11.06	¼-½ ore dis	−0.40	1¼-1½ dis	−0.50
France	9.76¼-9.79½	9.76¼-9.77¼	2-1½ c pm	2.15	4¼-3¾ pm	1.53
Sweden	10.24¼-10.28¼	10.24½-10.25½	¼-¼ ore dis	−0.22	⅛-⅛ dis	−0.20
Japan	240-241½	240-241	1¼-1⅛ y pm	5.93	3⅝-3¼ pm	5.41
Austria	20.60-20.64	20.60-20.63	10½-9⅛ gro pm	5.68	26⅛-23¼ pm	4.84
Switzerland	2.44¼-2.45¼	2.44¼-2.45¼	1⅛-1¼ c pm	6.12	3⅞-3¼ pm	5.50

Belgian rate is for convertible francs. Financial franc 60.95-61.05. Six-month forward dollar 2.23-2.18 c pm 12-month 3.97-3.87 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6080-1.6235	1.6110-1.6120	0.48-0.45c pm	3.46	1.24-1.19pm	3.02
Ireland†	1.4615-1.4755	1.4665-1.4675	1.02-0.95c pm	8.01	2.55-2.38 pm	6.68
Canada	1.3040-1.3080	1.3065-1.3075	0.04-0.07c dis	−0.51	0.13-0.18 dis	−0.48
Netherlands	2.0425-2.0650	2.0580-2.0590	0.20-0.17c pm	1.08	0.58-0.53pm	1.08
Belgium	37.48-37.70	37.60-37.70	1-4c dis	−0.80	4-9 dis	−0.69
Denmark	6.80½-6.86¼	6.84½-6.85	2.10-3.80ore dis	−4.31	6.70-7.40 dis	−4.13
W. Germany	1.8075-1.8270	1.8210-1.8220	0.43-0.40pf pm	2.74	1.16-1.11 pm	2.50
Portugal	139¼-140¼	140½-140¾	80-150c dis	−9.00	270-340 dis	−8.71

FINANCIAL FUTURES

US bonds recover

US TREASURY BOND futures closed near the day's high on the London International Financial Futures Exchange yesterday, following suggestions that the US Federal Reserve had intervened to support the dollar.

Long term gilt edged futures weakened, but dealers said it was too early to say the bull market was at an end. Uncertainty on the foreign exchanges had merely lessened the attraction of sterling instruments in the short term.

June long term gilt futures opened weaker at 126-14, on fears that the fall in the value of the dollar would lead to a collapse of sterling on the foreign exchanges. This proved to be the day's peak however, and the contract fell to a low of 125-15, before closing at 125-19, compared with 126-29 on Monday.

It was also feared the fall of the pound's exchange rate index indicated that sterling was losing its place as the most attractive currency, as funds drained out of the Japanese yen and the D-Mark.

Trading in long-term gilt futures was active at over 40,000 contracts, as nervousness about tomorrow's UK trade figures, and expectations of an increase in the current account deficit in February, raised doubts about another early cut in UK base rates.

June three-month sterling deposit futures opened lower at 91.06, but this also proved to be the highest level of the day. Fears about the future of sterling and interest rates, after the UK trade figures, pushed the contract down to a low of 90.91, before it finished at 90.93, against 91.06 at the previous settlement.

MONEY MARKETS

London rates slightly firmer

INTEREST RATES had a slightly firmer tone on the London money market yesterday, with three-month interbank at 9¾-9⅝ per cent, compared with 9⅝-9½ per cent on Monday.

Dealers continued to look for a further cut of ½ per cent in UK bank base rates this week, but expected Thursday's UK trade figures to be an important factor.

It is feared that poor trade data will lead to a set back in the value of sterling, and downward pressure on the pound on the foreign exchanges, but overall the market retained an optimistic view of the pound.

UK clearing bank base lending rate 10 per cent since March 18-19

The Bank of England forecast a money market shortage of £300m, and provided total assistance of £229m. Before lunch the authorities bought £115m bills outright, by way of £42m local authority bills in band 2 at 9{{11}/{16}} per cent, and £73m bank bills in band 2 at 9{{11}/{16}} per cent.

In the afternoon the authorities purchased £104m bank bills in band 2 at 9{{11}/{16}} per cent. Late assistance of £10m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £338m, with bank balances below target absorbing £25m. These outweighed Exchequer transactions adding £25m to liquidity, and a fall in the note circulation.

In Frankfurt the West German Bundesbank accepted bids of DM 6.5bn at yesterday's 28-day securities repurchase agreement tender, at a rate of 3.80 per cent. Bids totalled DM 8.6bn. The allocation was in line with expectations, as DM 3.4bn drained from the banking system as an earlier agreement expired, and funds left the banking system, after the central bank added money last week through state-owned banks.

In Madrid the Bank of Spain raised the overnight call money rate to 14 per cent from 13¾ per cent at yesterday's auction.

FT LONDON INTERBANK FIXING

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	7½-7¼
Fed. funds	6⅛
Fed funds at intervention	6{{3}/{16}}

LONDON MONEY RATES

Mar. 24	Over-night	7 days notice
Interbank	17-10	10⅛-10¼
Sterling CDs	—	—
Local Authority Deposits	10	10
Local Authority Bonds	—	—
Discount M'ket Deposits	10½-10¼	10
Company Deposits	10½-10⅛	10½-10¼
Finance House Deposits	—	—
Treasury Bills (Buy)	—	—
Bank Bills (Buy)	—	—
Fine Trade Bills (Buy)	—	—
Dollar CDs	—	—
SDR Linked Deposits	—	—
ECU Linked Deposits	—	—

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25th March, 1987

FT UNIT TRUST INFORMATION SERVICE

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Amer Bond (Acc)	215.4	226.3	-0.1	—
Amer Rec Bond (Acc)	272.5	286.3	-1.0	—
Amer Smlr Co Bd (Acc)	117.8	123.7	-1.3	—
Australasian Bd (Acc)	268.9	277.4	+2.0	—
Commodity Bond (Acc)	174.6	183.9	+0.9	—
Deposit Bond (Acc)	221.7	232.9		—
Equity Bond (Acc)	655.9	688.8	+14.0	—
Equity Bond Bonus	277.2	291.0	+4.8	—
European Bond (Acc)	180.6	189.8	+1.2	—
Extra Yld Bd (Acc)	363.5	381.7	+2.8	—
Far Eastern Bond (Acc)	145.7	153.1	.....	—
Gilt Bond (Acc)	267.4	280.9	+0.4	—
Gold Bond (Acc)	133.7	140.5	+1.5	—
High Yield Bond (Acc)	244.4	256.7	+2.1	5.32
Index-Linked Gilt Bd(Acc)	126.1	132.5	+0.3	—
Interntl Bond (Acc)	393.5	413.3	+1.7	—
Interntl Inc Bond (Acc)	128.1	134.6	+0.2	—
Japan Bond (Acc)	205.3	215.7	+1.5	—
Japan Smaller Co (Acc)	144.6	152.0	+1.3	—
Managed Bond (Acc)	478.2	502.2	+3.9	—
Property Bond (Acc)	285.2	299.6	-0.4	—
Recovery Bond (Acc)	342.4	359.6	+4.6	—
Pensions Funds				
American (Cap)	333.6	351.4	-2.7	—
American (Acc)	463.1	486.3	-3.5	—
Building Soc (Cap)	93.5	98.5	-0.1	—
Building Soc (Acc)	129.8	136.4	.....	—
Deposit (Cap)	153.6	161.6	-0.1	—
Deposit (Acc)	213.3	224.0	.....	—
European (Cap)	137.6	144.8	+0.8	—
European (Acc)	191.2	200.9	+1.2	—
Equity (Cap)	403.0	423.2	+5.5	—
Equity (Acc)	558.9	586.9	+8.1	—
Gilt (Cap)	249.4	262.0	.....	—
Gilt (Acc)	346.2	363.6	+0.2	—
Gold (Cap)	93.7	98.5	+1.0	—
Gold (Acc)	130.0	136.6	+1.4	—
Index-Linked (Cap)	95.9	100.8	+0.1	—
Index-Lnkd Gilt (Acc)	133.1	139.9	+0.3	—
International (Cap)	108.2	113.7	+0.6	—
International (Acc)	150.2	157.8	+1.0	—
Intnl Inc (Cap)	105.5	110.9	+0.2	—
Intl Inc (Acc)	146.5	153.9	+0.6	—
Japan (Cap)	126.6	133.1	-0.1	—
Japan (Acc)	175.8	184.7	+0.1	—
Managed (Cap)	307.0	322.6	+2.1	—
Managed (Acc)	426.1	447.5	+3.4	—
PPP Fund (Cap)	293.9	308.7	+0.7	—
PPP Fund (Acc)	408.0	428.5	+1.4	—
Pacific (Cap)	248.1	260.6	+0.8	—
Pacific (Acc)	344.4	362.0	+1.7	—
Property (Cap)	132.2	138.9	.....	—
Property (Acc)	183.5	192.8	+0.2	—
Recovery (Cap)	185.3	194.6	+1.7	—
Recovery(Acc)	257.2	270.1	+2.6	—
UK Income (Cap)	108.1	113.6	+1.3	—
UK Income (Acc)	150.1	157.7	+2.0	—
Personal Pension (Acc)	1695.8		+5.3	—

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American	249.7	262.8	+0.3	—
Australian	158.0	166.3	+0.2	—
CCM Vanguard Mngd	392.6	413.2	+2.4	—
Equity	839.9	884.1	+0.9	—
European	316.2	332.8	+1.5	—
Far Eastern Growth	124.5	131.0	-1.1	—
Fixed Interest	334.9	352.5	-0.3	—
Gold	106.6	112.2	+3.2	—
Income Accum	426.7	449.1	+7.7	
International	261.3	275.0	-0.2	—
Japan Smllr Co's	213.1	224.3	-0.5	—
Managed	421.6	443.7	-3.4	—
Property	286.1	301.1	.....	—
Residential Property	106.8	112.4	.....	—
Singapore & Malaysian	135.8	142.9	-4.7	—
Smaller Companies	364.1	383.2	+1.6	—
Tokyo	347.5	365.7	.....	—
UK Equity	364.4	383.5	+6.4	—
American Pension	275.8	290.3	+0.6	—
Australian Pension	195.8	206.1	+0.5	—
CCM Vanguard Pension	163.5	172.1	+1.1	—
Equity Pension	587.8	618.7	+0.7	—
European Pension	237.0	249.4	+3.6	—
Far Eastern Grwth Pen	137.6	144.2	-1.5	—
Fixed Interest Pension	289.2	304.4	-0.1	—
Global Mngd Pension	138.0	145.2	+0.3	—
Gold Pension	116.5	122.6	+3.5	—
Income Acc Pension	219.8	231.3	+5.1	—
International Pension	170.3	179.2	-0.1	—
Japan Smllr Co's Pen	268.4	282.5	-1.0	—
Managed Pension	1202.5	1265.7	+1.3	—
Property Pensions	267.4	281.4	+0.1	—
Residentl. Prop Pen	111.7	117.5	.....	—
Singapore & Malay. Pen	152.5	160.5	-5.3	—
Smaller Cos Pension	175.9	185.1	+0.8	—
Special Exempt	310.0	326.3	+1.1	—
Tokyo Pension	403.1	424.3	.....	—
UK Equity Pension	205.3	216.1	+4.9	—

Prices: Life Series 4 Acc; Pension Series C Acc March 24

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

Managed Fund	187.5	197.4	.....	—
Managed Prospect Fund	147.7	155.5	.....	—
UK Equity Fd	219.6	231.2	.....	—
Fixed Interest	143.4	151.0	.....	—
Pacific	179.9	189.4	.....	—
North American	117.7	123.9	.....	—
Pens. Managed	218.8	230.4	.....	—
Pens. UK Equity	260.5	274.3	.....	—
Pens. Overseas Equity	295.3	310.9	.....	—
Pens. Property	116.7	122.9	.....	—
Pens. Fixed Interest	156.4	164.7	.....	—
Pens. Index Linked	122.9	129.4	.....	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

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FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8213

Stgs Inc	277.4	295.3	+5.1	5.27
(Accum Units)	335.6	357.0	+5.0	5.22
UK Growth	343.4	365.3	+6.7	2.56
(Accum Units)	362.7	385.8	+7.1	2.56

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	42.8	43.4	+0.4	1.72
MLA Income Trust	55.0	58.5	+1.4	3.86
MLA Int	61.4	64.0	+0.5	0.82
MLA Gilt Unit Tst	25.0	26.4	-0.2	9.06
MLA European Trust	33.7	35.7	+0.3	0.70
MLA American Tst	27.5	29.1		0.85

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

GR&Fxd Int	127.1	135.4		6.94
Growth Units	96.5	102.4		2.62
High Income Units	134.8	143.3		3.93
High Yielding Gilt Uts	61.1	63.5		8.01
Intl Growth Unit Tst	151.2	160.7		0.54
UK Smaller Cos.	102.4	108.8		1.68
North American	83.7	88.9		0.46
Far East	117.0	124.3		0.83

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-578 7000

Income March 16	300.7	318.4		7.50
General March 16	239.9	253.3		3.93
International March 16	151.1	160.8		0.47
Global Inc Fd March 16	49.6	52.8		5.15

Mencap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Mencap	174.1	184.2	+3.4	3.98

Mercury Fund Managers Ltd
33 King William St, EC4R 9AS 01-280 2860

American Growth	109.3	116.4	-0.2	2.87
(Accum Units)	113.8	120.4	-0.2	2.87
American Sm Cos Ex Fd	49.2	50.6	-0.4	0.50

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	310.9	331.9	-0.4	0.96
Income	276.6	272.9	+3	3.70
Worldwide Recovery	169.5	181.0	-0.3	1.61
American Growth	78.2	83.5	-0.2	0.87
Intl. Emerging Cos.	95.4	101.9		0.71
Far East Growth Fd.	94.1	100.5	-0.7	0.77
European Growth Fd	63.1	67.8	+0.6	1.03

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc	60.0	63.9	+0.5	3.70
Prolific Cvert & Gilt	114.5	121.9	+0.2	4.93
Prolific Euro Cap/Inc	50.2	53.5	+0.5	2.72
Prolific Extra Inc	116.2	124.1	+1.8	3.56
Prolific Far East	198.5	212.3	-0.5	—
Prolific High Inc	79.8	85.4	+1.1	3.31
Prolific Intl	143.5	152.7	+1.2	0.33
Prolific N. Amer.	140.1	149.9	-0.5	—
Prolific Spec. Sits	95.2	101.3	+1.0	0.90
Prolific Technology	139.2	148.9	-0.1	—

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	86.5	92.9	+0.6	0.00
Japan Acc.	86.9	93.0	-0.7	0.00
Worldwide Inc.	77.9	82.8	+0.7	1.08
Worldwide Acc.	79.3	84.0	+0.7	1.08
European Tst Inc	90.3	97.7	+1.0	0.35
European Tst Acc.	92.4	98.4	+1.0	0.35
North American Inc	68.9	73.0	+0.4	1.16
North American Acc.	69.0	73.9	+0.4	1.16
UK Equity Inc	83.4	88.3	+1.4	1.85
UK Equity Acc	87.1	92.2	+1.4	1.85
UK High Inc Eqty Inc	59.2	62.7	+0.9	4.92
UK High Inc Eqty Acc	60.3	63.9	+0.9	4.85
Hong Kong Trust	46.9	47.7	+0.3	0.36
Swiss Equities Trust	44.6	47.0	+0.2	1.96

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	95.5	102.4	+0.8	0.71
PM Income and Growth	85.5	91.8	+0.9	3.49
PM N American Growth	56.8	59.5		0.32
PM European Growth	46.1	49.0	-0.2	0.61
PM Japan Growth	57.3	60.9	-0.1	0.05
PM Overseas Growth	52.5	56.0	-0.1	0.21

INSURANCES

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	TUESDAY MARCH 24 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	DOLLAR INDEX 1986/87 High	1986/87 Low	Year ago
Australia (94)	119.18	+1.3	109.64	114.11	2.99	119.18	70.18	88.39
Austria (16)	94.24	+0.3	86.69	88.90	1.74	101.62	70.60	78.10
Belgium (47)	118.92	+0.7	109.39	111.00	4.12	118.92	53.75	72.99
Canada (132)	134.35	+0.0	123.60	127.15	2.19	134.35	86.58	96.98
Denmark (39)	113.89	+2.2	104.78	106.07	2.35	124.10	87.87	100.56
France (121)	120.12	+1.9	110.50	114.28	2.22	120.12	57.72	81.11
West Germany (99)	87.27	+0.9	80.29	82.65	2.19	100.33	74.48	83.34
Hong Kong (45)	111.71	+0.9	102.77	111.84	2.82	114.71	62.87	66.20
Ireland (14)	130.14	+0.3	119.72	125.01	3.41	130.14	62.33	85.90
Italy (76)	102.50	−0.8	94.29	99.28	1.52	108.30	46.07	76.03
Japan (458)	127.08	+0.8	116.90	119.89	0.53	127.08	49.46	65.93
Malaysia (35)	131.63	−0.4	121.09	127.57	2.99	135.38	66.67	73.65
Mexico (14)	145.01	+3.7	133.40	175.44	1.16	145.01	43.00	57.86
Netherland (38)	113.46	+0.0	104.37	106.60	4.16	113.51	74.14	83.51
New Zealand (27)	96.88	+2.8	89.12	91.25	2.93	100.59	47.37	59.63
Norway (25)	127.07	+0.3	116.90	118.32	1.94	127.07	90.02	103.85
Singapore (27)	119.90	+0.1	110.30	118.10	3.16	120.40	55.94	57.29
South Africa (61)	151.66	+6.5	139.52	106.10	3.59	151.66	69.06	108.26
Spain (43)	111.13	−0.1	102.23	107.68	3.67	121.31	45.00	72.92
Sweden (33)	113.01	+1.0	103.96	106.40	2.24	113.01	63.35	82.75
Switzerland (52)	95.61	+1.8	87.95	90.21	1.88	104.06	69.01	77.76
United Kingdom (342)	133.88	+0.8	123.16	123.16	3.44	133.88	75.39	98.90
USA (581)	124.06	+0.2	114.12	124.06	2.89	124.06	85.46	98.76
Europe (945)	114.57	+0.8	105.39	107.24	2.90	114.57	69.36	87.56
Pacific Basin (686)	126.14	+0.8	116.04	119.28	0.70	126.14	51.10	66.68
Euro—Pacific (1631)	121.53	+0.8	111.80	114.46	1.53	121.53	58.45	74.90
North America (713)	124.60	+0.2	114.63	124.24	2.85	124.60	85.61	98.67
World Ex. US (1838)	122.33	+0.8	112.54	114.89	1.58	122.33	60.02	76.04
World Ex. UK (2077)	121.96	+0.5	112.20	118.01	1.95	121.96	69.65	83.69
World Ex. So. Af. (2358)	122.83	+0.5	113.00	118.55	2.08	122.83	69.95	84.81
World Ex. Japan (1961)	121.08	+0.5	111.39	117.74	2.88	121.08	79.87	94.05
The World Index (2419)	123.02	+0.6	113.17	118.47	2.10	123.02	70.14	84.95

Base values: Dec 31, 1986 = 100

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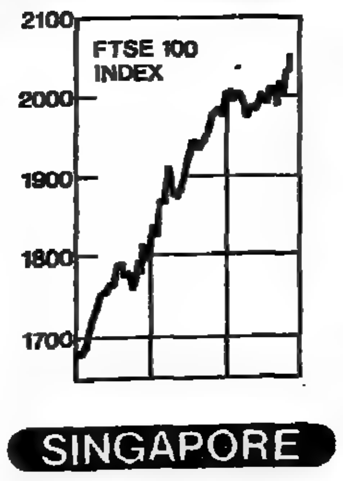
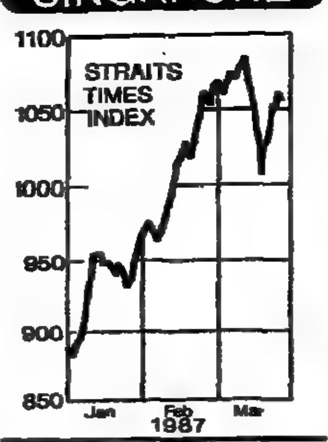
LONDON



SINGAPORE



EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol	Last	Aug 87 Vol.	Last	Nov 87 Vol.	Last	Stock
GOLD C	$400	100	18	—	—	—	—	$409.50
GOLD C	$420	483	8	20	16.50	17	25	"
GOLD C	$440	45	2.70	9	11	—	—	"
GOLD C	$460	15	1.80	—	—	—	—	"
GOLD P	$380	—	—	10	3.50	—	—	"
GOLD P	$400	43	5	—	—	—	—	"
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TOTAL VOLUME IN CONTRACTS: 50,275

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	● Morgan Grenfell	10
Adam & Company	10	Citibank NA	10	Mat Credit Corp. Ltd.	10½
Allied Arab Bk Ltd	10	Citibank Savings	¶12.45	Nat Bk. of Kuwait	10
Allied Dunbar & Co	10	City Merchants Bank	10	National Girobank	10
Allied Irish Bank	10	Clydesdale Bank	10	Nat Westminster	10
American Exp. Bk.	10	Comm. Bk. N. East	10	Northern Bank Ltd.	10
Amro Bank	10	Consolidated Cred.	10	† Norwich Gen. Trust	10
Henry Ansbacher	10	Co-operative Bank	*10	PK Finans. Intl (UK)	11½
ANZ Banking Group	10	Cyprus Popular Bk	10	Provincial Trust Ltd	12
Associates Cap Corp.	11	Duncan Lawrie	10	R. Raphael & Sons	10
Authority & Co Ltd	10½	E. T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	10	Equator'l Tst C'p plc	11	Royal Bk of Scotland	10
Bank Hapoalim	10	Exeter Trust Ltd.	10½	Royal Trust Bank	10
Bank Leumi (UK)	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Credit & Comm	10	First Nat. Fin. Corp.	11½	Trustee Savings Bnk	10
Bank of Cyprus	10	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of India	10½	Robert Fraser & Ptrs	11½	United Mizrahi Bank	10
Bank of Scotland	10	Grindlays Bank	‡10	Westpac B'nking Corp	10
Banque Belge Ltd	10	● Guinness Mahon	10	Whiteaway Laidlaw	10½
Barclays Bank	10	HFC Trust & Savings	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	● Hambro Bank	10		
Beneficial Trust Ltd	11½	Heritable & Gen. Tst.	10		
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co	10		
Brown Shipley	10	Hongkong & Shangh'	10		
Business Mortgages Tst.	10	Lloyds Bank	10		
CL Bank Nederland	10	Mase Westpac Ltd.	10		
Canada Permanent	10	Meghraj & Sons Ltd.	10		
Cayzer Ltd	10	Midland Bank	10		

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In short, it is a complete guide to its subject. An ideal guide for people new to the stockmarket, Investing for Beginners should also prove valuable to experts who wish to refresh their ideas on basic aspects of the subject.

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1 How safe are stocks and shares?
2 How gilt-edged stocks work
3 Equities give you a piece of the action
4 How to buy and sell stocks and shares
5 Earnings and dividends — and how to measure them
6 Understanding company accounts
7 Putting the figures to work
8 Movements in markets
9 Building a portfolio
10 Manufacturing companies: the problem areas
11 Success among the retailers
12 *Banking and insurance*
13 Investment trusts offer a spread
14 How to evaluate property companies
15 Understanding the oil market
16 Thrills and spills in mining shares
17 Overseas trading companies
18 Investing abroad: high risks for high rewards
19 What scrip issues are all about
20 When a company makes a rights issue — the shareholder's sums
21 Thrills and spills of the takeover
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23 More about gilts — and other fixed interest stocks
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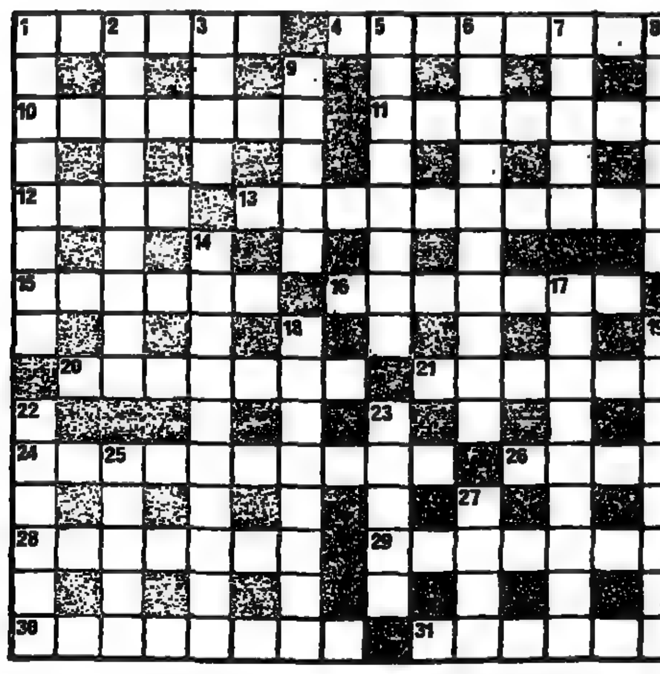


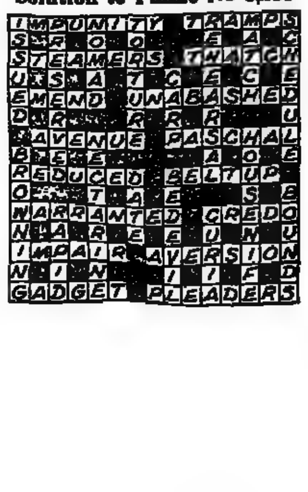
ACROSS

1 Betrothed cook in safe (6)
4 Lift to reveal switch (8)
10 Room by back door for light bed (7)
11 Master doctor brings in fixed rates (7)
12 Set of rules put before English swimmers (4)
13 Keys can't be used if this is locked (10)
15 Volunteers to mend damaged two-seater (6)
16 Repair man holding a ramble (7)
20 Ordered document without credit note (7)
21 Repeat aloud the engineers' name (6)
24 Inability to find fashionable volume (10)
26 Fail to order vermouth (4)
28 Plant label I prepared out of nothing (7)
29 Salesman returns holding least suitable coat (7)
30 Sponger on pop artist scene (8)
31 Way in which I can improve rank (6)

DOWN

1 Joy replaced file on soccer team (8)
2 Tricky under taking for solo player (9)
3 For many years a prison (4)
5 Deplored former servants coming in front door (8)
6 People look through it before shooting (10)
7 Time to take guided our on coach (5)
8 Design editor lived wantonly (6)
9 Fellow by the bar is easily tempted (5)
14 Capital underground spoil disposal (10)
17 Mysterious giant mice scattered (9)
18 Trade in Mercedes, 50 per cent less than new (8)
19 Educated landlord turned up half dead (8)
22 Stimulate with tablet if climbing (6)
23 Set out with rider on flight (5)
25 It's tossed in the minicab Eric drives (5)
27 Story of a fuel rise (4)

Solution to Puzzle No 6,285



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100 1/32	93 5/8	Funding 6½pc 85-87	99 13/32	+ 1/32	6.52	9.82
101¼	96 1/16	Treas. 10pc 1987	100⅛	+ 1/32	9.99	9.50
98 1/32	90⅞	Treas 3pc 1987	98¼	+ 1/16	3.05	7.41
104¾	99⅛	Treas. 12pc 1987	101 13/32	+ 1/32	11.80	9.01
99⅝	92 13/16	Treas 7¾pc 1985-88‡‡	99⅛	+ 1/32	7.80	8.59
106	96⅞	Exch 10½pc '88	101 15/16	– 1/16	10.32	8.80
102⅝	95⅛	Treas 9½pc Cv '88	102 1/16	– 1/16	9.65	8.78
95⅝	86⅝	Transport 3pc '78-88	95 3/16	+ 1/16	3.14	6.70
102⅝	93 11/16	Treas. 9½pc '88	101xd	– ⅛	9.41	8.82
107 1/16	98 1/16	Treas 11½pc 1989	104 11/16	– 1/16	10.99	8.80
103⅝	93⅝	Treas 9½pc Cnv 1989	101 11/16xd	– 1/16	9.37	8.77
93 1/16	82 5/16	Treas 3pc 1989	92¼	+ 1/16	3.24	6.69
105 1/16	95 5/16	Treas 10½pc 1989	103 11/16	– 1/16	10.17	8.84
104 5/16	94⅛	Exch.10pc 1989	102 11/16	– 1/16	9.74	8.83
107 5/16	97	Exch 11pc 1989	104⅞xd	– 1/16	10.49	8.82
94 9/16	84⅛	Treas 5pc 1986-89	94 3/16xd	– 1/16	5.31	7.55
110 1/16	94⅛	Exch 10½pcCv '89	106⅞	– 1/16	9.61	7.41
114 1/16	103 5/16	Treas 13pc 1990‡‡	110 1/16	– 1/16	11.77	8.69
108¼	97⅛	Exch 11pc 1990‡‡	105 1/16	– 1/16	10.42	8.75
113¼	101 1/16	Exch. 12½pc 1990	109 11/16xd	– 1/16	11.40	8.76
89⅝	79⅝	Treas. 3pc 1990	89⅝	+ 1/16	3.34	6.69
100 1/16	89⅝	Treas 8¼pc 1987-90‡‡	99	– 1/16	8.32	8.52
106 1/16	93	Treas. 10pcCv 1990	103⅛xd	– 1/16	9.65	8.80
87 1/16	76⅛	Exch 2½pc 1990	87⅛	+ 1/16	2.87	6.48
112 1/16	99 1/16	Treas 11¾pc 1991	109 11/16	– 1/16	10.76	8.83
96¼	83 1/16	Funding 5¾pc '87-91‡‡	93 11/16xd	+ 1/16	6.15	7.65
86⅝	79 1/16	Treas. 3pc 1991	86⅝	+ 1/16	3.46	6.70
109 1/16	95 1/16	Treas 10pc Cv '91	108 11/16	– 1/16	9.21	7.61
110⅝	96 1/16	Exch. 11pc 1991	108⅛xd	– 1/16	10.19	8.84
118⅝	103⅝	Treas 12¾pc 1992‡‡	115 11/16	– 1/16	11.05	8.77
107⅝	92 1/16	Treas 10pc 1992	104 11/16	– 1/16	9.54	8.76
		Five to Fifteen Years				
109⅝	94 1/16	Treas 10½pc Cv 1992‡‡	106¼	– ⅛	9.84	8.84
117⅛	101 1/16	Exch. 12¼pc '92	114 11/16	– 1/16	10.72	8.87
125⅝	108⅝	Exch 13½pc 1992	119⅝xd	– 1/16	11.31	8.95
108	93 1/16	Treas 10pc 1993‡‡	105 1/16xd	– 1/16	9.49	8.83
120⅝	103 1/16	Treas 12½pc 1993‡‡	117 1/16	– 1/16	10.68	8.91
92	78⅛	Funding 6pc 1993‡‡	90 11/16	+ 1/16	6.67	8.00
128⅝	109 5/16	Treas 13¾pc 1993‡‡	123	– 1/16	11.16	9.02
133⅝	113 5/16	Treas 14½pc 1994‡‡	128	– 1/16	11.31	8.93
127⅝	108⅝	Exch 13½pc 1994	123 1/16xd	– 1/16	10.98	9.05

Index-Linked

		(b)				(1)
129 1/16	115⅜	Treas. 2pc '88	(297.1)	129 1/16xd	+ 1/16	[illegible]
114	99	Do. 2pc '90	(333.9)	113 11/16	+ 1/16	[illegible]
95⅛	93½	Do. 2pc '92‡‡	(385.8)	95 11/16	+ 1/16	[illegible]
127 1/16	108⅛	Do. 2pc '96	(267.9)	127 1/16	– 1/16	[illegible]
110 11/16	94⅛	Do 2½pc '01	(308.8)	110 1/16xd	– 1/16	[illegible]
109⅝	93⅝	Do. 2½pc '03	(310.7)	108⅛	– ⅛	[illegible]
112 11/16	96⅛	Do. 2pc '06	(274.1)	111⅛	– 1/16	[illegible]
107 11/16	92	Do. 2½pc '09	(310.7)	106⅞	– ⅛	[illegible]
113 1/16	96⅛	Do. 2½pc '11	(294.1)	112 1/16	– ⅛	[illegible]
94 11/16	80 11/16	Do. 2½pc '13	(351.9)	93 11/16	– 1/16	[illegible]
102⅛	87 1/16	Do. 2½pc '16	(322.0)	102 1/16	– 1/16	[illegible]
100 1/16	85⅛	Do. 2½pc '20	(327.3)	100xd	– ⅛	[illegible]
85 11/16	77⅛	Do. 2½pc '24‡‡	(385.3)	85	– 1/16	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July 1986: — and for February 1987: 100.4 (rebased at 100 January 1987).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Stock	Price £	+ or –	Div % Gross	Red. Yield
[illegible] 4½pc 1898	30	......	—	—
[illegible]pc 1912	23	......	—	—
[illegible]pc 1913	23	......	—	—
[illegible]pc '25 Boxer	23	......	—	—
[illegible]pc Ass.	45	......	3.50	17.78
[illegible]pc 20 Stab. Ass.	45	......	3	16.67
[illegible] Mixed Ass.	47	......	2	14.29
[illegible]4 Ass	65	......	2.75	14.37
[illegible]uebec 15pc 2011	149⅞	+1	15.00	9.95
[illegible]6½pc '83-88	92	......	6.50	12.17
[illegible]pc Ln. 2016	133⅞	+ ⅛	14.50	10.68
[illegible]pc '91-96	102⅛	......	9.75	9.20
[illegible] '83-88	95	......	—	—

AMERICANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
31	23⅛	Tenneco $5	30⅛	– ⅛	$3.04	—	6.5
184⅛	135	Do. 10pcLn.Stk. 91-5	184⅛xd	......	10%	—	5.7
26⅛	18⅛	Texaco $6.25	21 11/16xd	– ⅛	$3.00	—	9.0
60⅞	41⅛	Time Inc. $1	55⅛	– 1⅛	$1.00	—	1.2
15⅜	11⅛	Tracor $0.33	13⅛	– ⅛	36c	—	1.8
27 1/16	20⅞	Transamerica $1	21 1/16	– ⅛	$1.76	—	5.3
16⅛	781p	Transworld Corp $5	10⅛	– ⅛	20c	—	1.2
42⅛	19⅛	Tridex Corp.	40⅛	– ⅛	$1.40	—	2.2
19⅛	10⅛	VUSX $1	17⅛	+ ⅛	$1.20	—	4.5
18 1/16	975p	Union Carbide $1	27 11/16	– ⅛	$1.50	—	5.4
37⅛	26⅞	Utd. Technologies	32⅞	– ⅛	$1.40	—	2.8
41⅝	29⅞	US West	34⅛	– ⅛	h$3.04	—	5.7
32	20⅛	Woolworth $3½	33⅛	+ ⅛	$1.12	—	2.3

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chr Acc	9.25	6.75	9.75	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	10.00	Qtr
MultiCap £1000-£5000	9.00	6.75	9.72	Mth
Mth. Inc. Chq. £5,000+	9.25	6.91	10.05	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-626 2046				
HICA, HICMA	11.25	8.43	12.31	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.10	6.80	9.88	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.00	6.75	9.75	Qtr
Benchmark Trust Ltd 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	9.25	6.91	10.05	Mth
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2R 7HE 01-606 9833				
Demand Acc	10.00	7.48	10.60	Qtr.
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	10.375	7.78	11.32	Mth
U.S. Dollar	5.625	4.22	6.09	Mth
German Marks	3.50	2.63	3.78	Mth
Swiss Francs	2.50	1.88	2.64	Mth
Japanese Yen	3.30	2.48	3.75	Mth

Money Market Trust Funds

NOTES

LONDON SHARE SERVICE

CANADIANS

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
32½p	20p	♥Abbot Energy Corp.	21½p	.....	—	—	—
18½	380p	♥Amer. Barrick Res.	17½	+¼	—	—	—
83p	36p	Arenco	80p	−½	—	—	—
19¼	13¾	Bk. Montreal ǁ	16¼	−¼	$2.00	—	5.7
10½	595p	Bk. Nova Scot.ǁ	956p	−8	72c	—	3.6
20¼	17⅞	BCE ǁ	28⅝	.....	$2.40	—	5.6
958p	457p	♥Bow Valleyǁ	951p	−7	10c	—	0.5
18½	11¼	♥Brascanǁ	18⅝	−¼	88c	—	2.3
429p	233p	♥Breakwater Res.	407p	−2	—	—	—
11⅝	820p	Can. Imp. Bk. $2	10¾	−⅛	$1.08	—	4.8
12	692p	Can. Pacific ǁ	11⅞	−⅛	48c	—	1.9
42	35	Do. 4pc Deb £100	42	.....	4%	—	9.5
21⅞	875p	♥Echo Bay Mines	21¾	+⅞	20c	—	0.4
636p	289p	♥Granges Explnǁ	608p	+16	—	—	—
33p	10p	♥Gt Pacific Res.	12¼p	+¼	—	—	—
14	620p	♥Gulf Canadaǁ	13⅞	.....	52c	—	1.8
15	10½	♥Hawker Sid Canǁ	12¾	−⅛	96c	—	3.6
750p	100p	Hendys Group	661p	−3	—	—	—
15⅝	11	Hudson's Bay ǁ	19⅛	−⅛	60c	—	2.2
33⅞	16¾	♥Imperial Oilǁ	31⅞	+¼	s$1.60	—	2.4
11⅞	731p	Incoǁ	10⅛xd	+⅛	US$0.20	—	1.3
20	550p	♥Ind. Corona Res.	18½	+⅛	—	—	—
701p	500p	♥Inland Nat. Gas $1	655p	+21	60c	—	4.4
261p	122p	♥Muscocho Expln.	248p	−1	—	—	—
22⅞	748p	♥Ntnl Business Syst.ǁ	933p	+5	—	—	—
13½	965p	♥Rio Algom	12	+½	65c	—	2.6
19⅞	13¾	Royal Bk. Can. ǁ	16¾	+½	$2.00	—	5.7
47¼	30¼	Seagramǁ	47¾	+½	US$1.00	—	1.4
14⅞	10½	Toronto-Dom. Bk.ǁ	14⅛	−⅛	84c	—	2.8
10	752p	♥Trans Can Pipe	992p	+22	$1.12	—	5.4
229p	125p	Varity Corpǁ	146p	−1	8	—	—

BANKS, HP & LEASING

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
297	185	ANZ SA1	228	+3	Q31c	2.4	5.8	ϕ

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Cont.

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
147	30	Anglo-Dominion	92	+7	—	—	—
80	21	♥Colby Res Corp.	30½	−½	—	—	—
300	115	Cons. Murch. 10c	£17¾	......	n060c	4.4	9.9
51	24	♦Ennex Int. Ir10p	41	−2	—	—	—
249	70	Greenwich Res.	229	+1	—	—	—
327	165	♥Highwood Res.	191	−1	—	—	—
£20¼	£13½	Homestake Mining $1	£18	+¼	020c	—	0.7
382	150	♥McFinley Red Lake	354	−25	—	—	—
285	70	♥Musto Explorations	137	+2	—	—	—
80	28	♥New Sabina Res C$1	80	+4	—	—	—
411	200	Northgate C$1	395	−2	—	—	—
790	313	RTZ	727	+3	22.0	2.4	4.3
£164	£115	Do. 9pcLn '95-2000	£150½	+½	Q9½%	15.5	16.4

THIRD MARKET

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
250	180	Abelscot Group 10p	245	+15	3.2	—	1.8	—
30	10	Aberdeen Am Pet 10p	34	......	—	—	—	—
120	112	Allied Ins. Brokers	118	+1	L3.5	2.5	4.4	13.1
54	36	Catalyst Comm. 5p	47	......	—	—	—	—
68	24	Corton Beach 10p	65	......	—	—	—	32.3
128	121	Edenspring Investment	126	+1	—	—	—	74.7
63	10	Eglinton Oil Ir.5p	33	−2	—	—	—	—
41	8	Do. Warrants	19	−2	—	—	—	—
25	17	Publishing Hldgs.5p	24	......	—	—	—	13.9
55	46	Theme Holdings	50	......	—	—	—	25.4
135	115	Unit Group	135	......	R4.6	2.5	5.6	(8.2)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	74	......
Craig & Rose £1	£15¼	......
Finlay Pkg. 5p	68	−1
Holt (Jos) 25p	900	−5
IoM Stm. £1	95	......
IRISH		
Fund 11¼% 1988	£98	......
Nat. 9¾% 84/89	£93¼	......
Fin. 13% 97/02	£105¾	......
Arnotts	335	......
CPI Hldgs	65xd	......
Carroll Inds.	151	......
Dublin Gas	11	......
Hall (R. & H.)	108	......
Helton Hldgs.	33	......
Irish Ropes	175	......
Unidare	371½xd	......

TRADITIONAL OPTIONS

3-month call rates

Stock	p
Industrials	
Allied-Lyons	35
Amstrad	16
BAT	47
BOC Grp.	42
BSR	12
BTR	30
Babcock	19
Barclays	47
Beecham	48
Blue Circle	62
Boots	25
Bowaters	97
Brit Aerospace	58
Brit. Telecom	20
Burton Ord	23
Cadburys	22
Charter Cons.	30
Comm Union	29
Courtaulds	35
FNFC	20
Gen Accident	80
GEC	18
Glaxo	110
Grand Met	40
GUS 'A'	100
Guardian	85
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	80
Jaguar	52
Ladbroke	40
Legal & Gen	25
Lex Service	35
Lloyds Bank	48
Lucas Inds	55
Marks & Spencer	18
Midland Bk	55
Morgan Grenfell	35
NEI	8
Nat West Bk	55
P & O Dfd	55
Plessey	20
Polly Peck	20
Racal Elect	29
RHM	30
Rank Org Ord	55
Reed Intnl	42
STC	20
Sears	12
TI	55
TSB	8
Tesco	42
Thorn EMI	50
Trust Houses	20
Turner Newall	24
Unilever	150
Vickers	55
Wellcome	50
Property	
Brit Land	17
Land Securities	30
MEPC	32
Peachey	30
Oils	
BOM	3½
Brit Petroleum	60
Burmah Oil	38
Charterhall	4
Premier	4
Shell	75
Tricentrol	11
Ultramar	17
Mines	
Cons Gold	65
Lonrho	24
Rio T Zinc	65

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Mar 9	Mar 19	Mar 20	Mar 30
Mar 23	Apr 2	Apr 3	Apr 13
Apr 6	Apr 23	Apr 24	May 5

* New time dealings may take place from 9.00 am two business days earlier.

Industrial and gold shares surge higher but Gilts meet sellers in late trading

The growing confidence of the UK equity sector found further encouragement yesterday from a buoyant report by the Confederation of British Industry (CBI), and the renewed surge on Wall Street. London stocks opened strongly, led by gains in oil shares and shook off bouts of profit-taking to close at new peaks, with major market indices showing double digit gains.

With the pound easier against the German mark, exporting stocks had a better session, and insurance issues advanced following results from several major names. Weakness in the US dollar sparked off heavy demand for gold shares, which chalked up substantial gains in one of the best trading sessions for many months.

At the close, the FT-SE 100 index was 23.2 up at a new peak of 2056.2. The FT ordinary index climbed 13.7 to 1625.2, finally bursting through the previous peak recorded at the beginning of this month.

The initial rush in the equity market reflected demand from UK institutions, responding to the CBI report that industry's order books are at their best levels for a decade. The lead was soon taken up by foreign buyers, although sluggishness in the pharmaceuticals indicated a more cautious approach by the Japanese institutions.

British Petroleum stood out strongly in the oil sector, with **Shell** also meeting heavy demand from both domestic and foreign investors. **Jaguar** again featured the industrials, but **Imperial Chemical Industries**, **Glaxo** and **Beecham** were out of the spotlight.

Government bonds ran into some selling pressure at the end of a dull session, and ended with losses ranging to a full point at the longer end. Traders remained convinced that the dip in gilts reflected nothing more than profit-taking ahead of Thursday's announcement of the latest UK trade statistics, which are expected to be poor. The fall in the sterling exchange rate index was another discouraging factor for government bonds.

The burst of strength in South African gold shares—which lifted the FT Gold Mines Index by 19.2 to a new 1986-87 peak of 386.6—reflected aggressive institutional demand from the UK, as well as from Johannesburg, European centres and the US.

The South African Rand has been strengthening for some time, and the market was also boosted yesterday by the fall in the US dollar and by strong bullion prices.

Supported of late on rumours that Mr Larry Adler of FAI Insurances was negotiating with Friends Provident to buy UKPI's 23 per cent stake in **Guinness Peat**, the latter attracted renewed speculative interest yesterday. The shares moved up to 106p before closing 4½ better at 105p to the accompaniment of vague suggestions that Lord Kissin, the company's president was also a possible buyer of UKPI's shareholding. Among other firm merchant banks, **Hambros** advanced 10 to 253p and **Schroders** added 10 at 750p. **Wintrust**, still reflecting Press comment, appreciated 10 more at 410p. Elsewhere, clearing banks met with increased demand. **NatWest** led the way with a rise of 13 at 612p and **Midland** firmed 10 at 647p. Well over 11m **TSB** shares changed hands and the close was 1½ dearer at 83p.

Sun Alliance remained the star performer in Composites, rising 16 afresh to 808p, after 813p, as investors continued to pay heed to a BZW buy recommendation ahead of the preliminary results scheduled for April 1. Among Life issues, **Prudential** improved 3 to 935p and **Equity and Law** 8 to 354p after their respective trading announcements. Lloyds brokers **Willis Faber**, however, dropped 12 to 413p in reaction to the disappointing annual profits, but **Sedgwick** revived with a speculative gain of 6 at 333p.

A sizable interest in **Guinness** traded options—Hoare Govett were particularly keen buyers—aroused a good business in the shares and also speculation of an impending market raid. Hoare Govett are brokers to Hanson Trust one of the three major groups reported to be looking at Guinness, which closed 10 up at 339p. Fresh institutional support swept **Whitbread "A"** 14 higher to 347p while **Bass** rose 12 more to 844p.

The undertone in the Building sector was firm, but demand for leading issues was selective. Elsewhere, **Helical Bar** met with renewed demand following a newsletter recommendation and moved up 35 to 860p in a restricted market. **Federated Housing** continued to rally and closed 8 higher at 211p, while **Raine Industries**, boosted by institutional demand, gained 5 to 107½p. News of a joint venture with London and Colonial Properties boosted **Finlan** 10 to 99p; the two companies propose to develop the remaining 11.5 acres at the Luton Airport executive park as soon as possible. **Ben Bailey** added 3 to 39p following the interim results and confident statement, while **Ibstock Johnsen** firmed 8 to 260p awaiting today's annual results.

Among Chemicals, **Hickson International** rose 31 to 596p on further consideration of the annual results, while **Wolstenholme Rink** advanced 27 to 370p in response to the good preliminary figures. **Yorkshire Chemicals** were a firm market at 226p, up 10, while **Rentokil** gained a similar amount to 177p.

The budget tax-cuts and prospect of a further imminent reduction in bank base lending rates kept investors attracted to the Stores sector. Sentiment was also helped yesterday by impressive trading statements from Woolworth and Coats Viyella. **Woolworth** reported pre-tax profits up sharply from £81.3m to £115.3m and share-slimming proposals and jumped 11 to 853p, while **Coats Viyella** ended 23 higher at 617p following better-than-expected profits of £181.7m—against £149.6m—and a 100 per cent bonus issue. **Next** added 7 at 336p and **Storehouse** firmed 3 to 316p. Elsewhere, **Blacks Leisure** rose 2½ to 20¼p following an investment recommendation and **Combined English** gained 5 to 283p on buying ahead of the preliminary results scheduled for March 31. A Capel-Cure Myers buy recommendation lifted **Ellis and Goldstein** 9 to 102p and **Ward White** reflected expansion hopes with a rise of 11 at 346p. **Fine Art Developments** put on 13 to 270p. **Wickes** advanced 8½ more for a two-day leap of 73½ at 350p on further consideration of the management-led buy-out. By way of contrast, **Underwoods** fell 9 further to 196p with sentiment here still depressed by the recent abortive bid talks with Woolworths.

STC returned to prominence in Electricals, rising 14 to 259p following a turnover of 14m shares; earlier this month, it was rumoured that ITT of the US was on the verge of selling its 24 per cent stake in the company. **BICC** moved up 6 to 344p in anticipation of today's preliminary figures and **Cable and Wireless** recorded a gain of 9 at 367p. Elsewhere, **Holmes Protection**, bought recently as Salomon Bros pushed for the company's shares to have a full listing in the US, were again in demand as bid rumours resurfaced and the close was 8 to the good at 181p. **Pressac** rose 13 to 233p in response to the interim results and **Unitech** added 16 at 281p.

Engineers closed with some useful gains. **Glynwed** moved ahead strongly on a revival of buying interest to close 16 higher at 435p. **Hall Engineering** responded to the good preliminary figures with a rise of 8 at 302p, while acquisition news helped **ML Holdings** to a close of 558p, up 3. **TI** awaiting further news of the proposed sale of its white goods division, rose 15 to 698p. Speculative demand revived in **600 Group** which closed 7 higher at 144p. Dealings were temporarily suspended in **Smith Whitworth** at 113 following the announcement that the company is at an advanced stage of negotiations for a major acquisition.

Apart from **Tate and Lyle**, which continued to respond to overseas buying and rose a further 17 to 790p, leading Food Manufacturers tended to underperform the equity market. **Northern Foods** continued to attract buyers at 316p, up 10, but other stocks were virtually unchanged. Elsewhere, **Argyll** rose 12 to 440p following the agreed sale of George Morton, its drinks wholesaling subsidiary, to Seagram for £14m. **M6 Cash and Carry** gained 12 to 123p ahead of figures due soon. **Chambers and Fargus** firmed 5 to 93p following the good interim results.

Among Hotels and Caterers, **Garfunkels** put on 4 to 199p in reply to the increased annual profits and proposed one-for-five scrip issue. **Stakis**, a good market on Monday, encountered profit-taking and dipped 7 to 97p.

Williams Holdings eventually appeared with its well signposted bid for **Norcros**, which closed 28 higher at 425, after swiftly rejecting the offer. **Williams Holdings** rose 12 to 752p. Elsewhere in the miscellaneous industrial sector, comment on the preliminary figures prompted renewed firmness in **Spring Ram** which gained 27½ further to 372p, but **British Aerispace** dipped 28 to 626p following the announcement of results some way below market expectations, while **Bridport Gundry** tumbled 31½ to 206p on sharply lower interim earnings. In contrast, **Redfearn Glass**, in which Mr Ron Brierly holds a sizeable stake, encountered further speculative activity and put on 24 more to 540p. Revived demand on expansion hopes left **Nash Industries** 48 to the good at 248p, while **Stat-Plus** made a belated response to recent Press mention and closed 20 higher at 605p. Buyers showed fresh interest in **Associated British Ports** which gained 11 to 494p. **Dalgety**, helped by the news of discussions regarding the acquisition of a Dutch company, rose 19 to 351p. **Peek Holdings**, still reflecting Press mention, improved 7½ more to 98p, while **Hepworth Ceramic**, scheduled to reveal preliminary figures today, firmed 6 to 234p. **Pearson** advanced 11 to 589p and **BAA** 15 to 194p, while **Pentland Industries**, helped by comment on the preliminary statement, firmed 9 more to 690p. Gains in the leaders were usually limited to a few pence, but renewed investment demand left **BOC**, up 8 more at 464p, and **Pilkington** 22 higher at 790p. **Hanson Trust** were actively traded (some 12m shares changed hands) but closed with little alteration at 164¼p.

Travel concerns showed **International Leisure** some 20 higher at 182p on th announcement that the company is in talks which may or may not lead to an offer; the board does not anticipate an offer much above the current market price. Trusthouse Forte and Ladbroke were cited as possible suitors.

Television issues went from strength to strength. **Central**, preliminary results due tomorrow, rose 10 more to 659p, while **Anglia**, additionally boosted by Press comment, gained 15 to 544p. **Grampian** were 15 up at 125p and **TVS** 13 to the good at 443p. **Border TV** put on 10 to 73p.

Takeover speculation brought further sharp gains in selected Motor issues. Distributors **Caffyns**, 355p, and **H. & J. Quick**, 205p, recorded respective rises of 29 and 20, while **Kwik-Fit** added 7 at 170p still on hopes of a bid from Woolworth. The preliminary results of the last-named are due tomorrow, while H. & J. Quick's annual statement is scheduled for next Tuesday. **Armstrong Equipment** regained part of Monday's fall on the interim announcement to close 7 up at 161p.

Excellent annual results stimulated **Trinity International** and the close was a peak 788p, up 63. **Associated Newspapers** revived 10 to 503p and many outstanding features emerged from Paper/Printing issues. **Bunz** rose 10 to 241p, **DRG** added 7 more to 443p and **Norton Opax** were similarly dearer at 151p. **Barham** recovered further from the recent setback to end 8 up at 181p, while **Moorgate** put on 7½ further to 19½p. **Ault and Wiborg** advanced another 12 to 173p. Trading statements brought contrasting Agency features with **Lopex** improving 10 to 183p on sharply increased profits but **Davidson Pearce** easing 5 to 170p despite higher revenue. **Millward Brown** jumped 15 to 185p.

TI Property leaders moved ahead strongly in reply to institutional buying. **Land Securities** rose 23 to 418p, while **MEPC** advanced 21 to 390p. **British Land** were 11 higher at 208p. Elsewhere, **Greycoat** picked up 10 at 294p, while **Rosehaugh** revved with a gain of 25 at 745p. Estate agents **Hambro Countrywide**, some 40p higher on Monday, eased back 25 to 415p following the annual results and acquisition news. **New England** jumped a further 23 to 102p in the wake f the recent change of control, while **St. Modwen** put on 6 to 43p. **York Mount** shed 1 to 58p; the company has tendered for the acquisition of a complementary business; a frther announcement will be made if the tender offer is successful.

Preliminary profits spot on market estimates made little impact on **P & O** but the shares rose as analysts upgraded their current year forecasts to around £260m to £270m; one was especially optimistic with a prediction that the group cold achieve £300m. The free warrants issue was a novelty and P & O settled 5 higher at 636p.

Textile investors continued to concentrate on the carpet manufacturers and **John Crowther** spurted 14 more to 212p while **Hugh Mackay** jumped 10 further to 173p and Irish-based **Youghal** improved 3½ to 24p. Other firm spots in the sector included **Illingworth Morris**, 6 dearer at 163p, and **Tootal**, which advanced 5 to 13p. **Courtaulds** were firmer late to finish with a rise of 8 at 425p.

Financial Trusts progressed further with **Candover Investments** leading the way on excellent annual figures to close 18 higher at 285p. **M & G** moved up 10 to 281p but **Close Bros.** improved only 2 to 320p despite a good preliminary statement and proposed scrip issue. **Hunting** advanced 6 to 141p and **Asset Trust** remained in fashion, rising 10 further for a two-day gain of 14 to 96p. Late demand lifted **Argyle Trust** to 181p for a rise of 24.

The Oil majors attracted considerable support, both domestic and overseas, amid reports of the possibility of output reductions by Opec. **British Petroleum** were outstanding and finally 27 higher at 900p. **Shell** hardened ¼ to £12⅞. **Britoil** moved up 5 to 236p, while **LASMO** rose 12 to 256p. **Enterprise** gained 10 to 287p and **Ultramar** 7 to 250p. **British Gas** put on 4½ to 96½p. Elsewhere, **Carless Capel** attracted renewed institutional support and rose 11 to 119p, while **Sovereign** picked up 6 at 74½p and **Clyde** gained 7 to 80p.

Gold shares enjoyed one of the most successful sessions for more than a year, as strength in both the Rand and global bullion prices brought heavy demand for the producer issues.

While buying support has been growing for the past several sessions, yesterday's upsurge represented a significant burst of confidence.

Dealers commented that the strength of the Rand has been making gold share cheaper in dollar terms, a trend emphasised by the renewed downturn in the US currency. Supporting the bullishness of the institutions was a buying signal from the charts which play a significant role in this market.

Traditional Options

- First dealings March 16
- Last dealings March 27
- Last declaration June 25
- For Settlement July 6

For rate indications see end of Unit Trust Service

Stocks dealt in for the call included **Tricentrol**, **Bremner**, **Mitchell Cotts**, **United Guarantee**, **Stormguard**, **GEC**, **Common Bros**, **Astra Holdings**, **Property Trust**, **Berisfords**, **B. Elliott**, **Caparo**, **600 Group**, **Jaguar**, **Wheway**, **Cosalt**, **Bennetts and Fountain**, **Rivlin**, **Barndene**, **Control Securities**, **Speng**, **Christy Hunt**, **Astra Industrial**, **Pineapple**, **British Telecom** and **Hampton Industries**. No puts or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Mar. 24	Mar. 23	Mar. 20	Mar. 19	Mar. 18	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	91.66	91.19	92.04	91.90	91.83	90.18	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.32	97.52	97.89	97.89	97.60	94.35	97.98 (19/3/87)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,625.2	1,611.5	1,598.9	1,581.6	1,589.5	1,364.7	1,625.2 (24/3/87)	1,094.3 (14/1/86)	1,625.2 (24/3/87)	49.4 (26/6/40)
Gold Mines	386.6	367.4	362.4	350.4	344.3	305.4	386.6 (24/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.63	3.64	3.67	3.71	3.68	3.97				
Earnings Yld.%(full)	8.33	8.41	8.48	8.59	8.54	9.42				
P/E Ratio (net) (*)	14.72	14.59	14.46	14.27	14.36	13.17				
SEAQ Bargains (5 pm)	61,358	57,177	57,786	51,952	52,571	—				
Equity Turnover (£m)	—	1,445.81	1,487.14	1,503.68	1,743.05	699.57				
Equity Bargains	—	68,020	68,578	63,380	59,410	39,235				
Shares Traded (ml)	—	593.7	673.2	620.6	625.5	322.5				

S.E. ACTIVITY

Indices	Mar. 23	Mar. 20
Gilt Edged Bargains	191.0	168.5
Equity Bargains	440.7	444.3
Equity Value	2,922.4	3,005.9
5-Day Average		
Gilt Edged Bargains	195.7	190.8
Equity Bargains	405.7	390.5
Equity Value	3,004.0	2,814.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1622.6	1623.4	1628.3	1628.0	1628.7	1631.1	1625.4	1624.7

Day's High 1632.3. Day's Low 1622.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.17.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS FOR 1986-87

NEW HIGHS (395)

BRITISH FUNDS (3), INT. BANK & O'SEAS GOVT. STLG. ISSUES (2), FOREIGN BONDS (1), AMERICANS (1), CANADIANS (1), BANKS (7), BUILDINGS (25), CHEMICALS (8), STORES (11), ELECTRICALS (32), ENGINEERING (17), FOODS (7), HOTELS (4), INDUSTRIALS (54), INSURANCE (5), LEISURE (15), MOTORS (3), NEWSPAPERS (3), PAPER (16), PROPERTY (29), SHIPPING (2), SHOES (1), SOUTH AFRICANS (3), TEXTILES (10), TOBACCOS (1), TRUSTS (79), OILS (13), PLANTATIONS (1), MINES (42), THIRD MARKET (1).

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Tuesday March 24 1987

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

NETHERLANDS

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

FRANCE

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

[illegible]

CANADA

TORONTO

Closing prices March 24

[illegible]

MONTREAL

Closing prices March 24

[illegible]

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

TORONTO

[illegible]

NYSE—Consolidated 1500 Actives

[illegible]

TOKYO — Most Active Stocks

Tuesday, March 24, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Nippon Steel	369.35m	385	+16	Japan Steel Works	76.53m	487	+37
Nippon Kokan	227.24m	288	+22	Mitsubishi Steel	87.53m	325	+18
Sumitomo Metal Ind.	118.19m	279	+5	Kawasaki Heavy Ind.	53.95m	270	+28
Kawasaki Steel	105.31m	279	+18	Ishikawajima-Harima	43.57m	558	+28
Tokyo Gas	93.87m	1,320	+98	Kobe Steel	32.83m	333	+5

LONDON — Most Active Stocks

Monday, March 24, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	51.98m	86½	+4½	Hanson Tr.	11.50m	184½	−½
Brit Airways	24.88m	138	+5	Gen Elect	9.90m	224	+2
STC	14.68m	259	+14	Thorn EMI	9.29m	618	−2
Dixons Gr.	12.90m	482	+18	Smith & Nephew	8.90m	172	+4
TSB	12.80m	83	+1½	Brit Aero	8.58m	626	−28

[illegible]

LONDON Chief price changes

(in pence unless otherwise indicated)

RISES:

Argyle Tr.	181	+ 24
Asset Tr.	98	+ 10
Ault & Wib	173	+ 12
BP	900	+ 37
Caffyns	355	+ 29
Coats Viyella	617	+ 23
Crowther (J.)	212	+ 14
Ell & Goldstein	102	+ 9
Hickson Intl.	596	+ 30½
Holmes Protec	181	+ 8
Illingwth Mor	163	+ 8
Intl. Leisure	182	+ 20
Land Secu	418	+ 23
MEPC	390	+ 21
Nash Inds.	248	+ 49
New Engl Props	102	+ 23
Norcros	425	+ 28
Pilkington Bros.	790	+ 22
Pressac	233	+ 13
Quick (H. & J.)	205	+ 20
Redf. Nat. Glass	540	+ 24
STC	259	+ 14
Spring Ram	372	+ 27½
Trinity Intl.	788	+ 63
Whitbread	347	+ 14

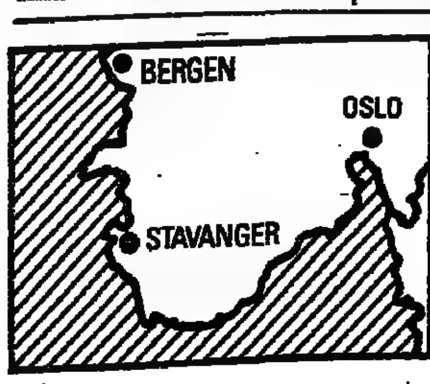
FALLS:

Ex. 9pc 2002 (£20pd)	£25⅝	− 1⅝
Ex. 12pc '13-17	£131¹¹⁄₁₆	− 1¼
Bridport-Gum.	206	− 31½
Brit. Aerospace	626	− 28
Willis Faber	413	− 12

N. AMERICAN QUARTERLY RESULTS

[illegible]

† Loss * Includes C$125m writedown on properties



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BELGIUM & LUXEMBOURG

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	20⅛	AAR s	.50	1.6	23	322	32¾	31¼	32¼	+¾
37	21⅞	ADT	.92	2.7	20	394	34¾	34½	34⅝	−⅜
41½	23⅝	AFG	.12e	.3	11	1121	37⅞	37	37⅝	+⅝
40¼	16¾	AGS			22	353	37¾	36⅞	37	−⅝
14⅞	6¾	AMCA				4	8½	8½	8½	
9⅝	4⅞	AM Intl				1282	8⅞	8⅝	8⅞	+⅛
62⅛	47¼	AMR			12	6620	56¼	55⅛	55⅝	−⅞
24¾	20⅞	ANR pf	2.12	8.5		185	u25	24⅝	25	+⅝
12⅞	8	ARX s			13	445	11¼	10¾	10¾	−¼
56½	28¾	ASA	2a	3.4		3588	u59⅝	54⅝	58⅝	+4¾
17⅛	9¾	AVX		1.9		438	17	16½	16½	−⅜
32¾	26½	AZP	2.72	8.5	11	1251	32⅜	31⅞	32	−⅜
66⅝	39⅜	AbtLb s	1	1.5	29	6861	u67	65¾	66⅞	+⅞
34	25	AccoWd	.62	2.0	20	410	31	30⅜	30⅝	−⅜
14⅛	9	AcmeC	.40	3.2	23	319	12⅞	12⅜	12⅜	−½
8⅝	6⅛	AcmeE	.32b	4.1	27	2	7⅞	7⅞	7⅞	+⅛
23⅞	18¾	AdaEx	3.42e	15.		180	22¾	22⅜	22½	−¼
19½	11⅜	AdmM s	.24	1.3	15	90	19⅛	18¾	18¾	−⅜
21½	12⅛	AdvSys	.62t	3.0	16	208	21	21	21	
31½	12⅞	AMD				9982	21⅛	19¾	20⅛	−1¼
10⅛	5¼	Adobe				147	9¾	9⅝	9¾	
20½	13¾	Adob pf	1.84	9.2		4	20⅛	20	20	−⅛
21⅞	16⅜	Adob pf	2.40	11.		15	21⅛	21	21⅛	
18⅜	11½	Advest	.12a	.9	11	411	13⅞	13¼	13⅞	+½
68¼	53	AetnLf	2.76	4.1	11	6794	67⅞	66¾	67	−⅝
54	51⅛	AetL pf	2.81e	5.4		250	52	52	52	+⅛
50¾	21⅞	AfilPb s	.32	.7	26	329	48⅞	47	47⅝	−½
28¾	18⅞	Ahmns s	.88	3.5	8	4822	25¾	24⅞	24⅞	−1
5⅜	2⅞	Aileen				107	4⅛	3⅞	4⅛	+¼
48½	29⅛	AirPrd s	.80	1.7	39	745	47⅜	46⅝	47⅛	
35¼	16	AirbFrt	.60	1.8	15	173	33½	32⅞	33¼	−¼
11⅝	7⅝	Airgas n				395	u12	11	11⅝	+⅞
20⅜	17⅛	Airlse n	1.03e	5.3		89	19⅜	18⅞	19⅜	+⅜
17-32	¼	AlMoan				271	13-32	⅜	⅜	−1-16
10¾	8⅞	AlaP dpf	.87	8.3		44	10⅝	10½	10½	
110	102	AlaP pf	11	10.		z70	108	108	108	
98½	83½	AlaP pf	8.28	8.7		z420	97	95½	95½	
27⅞	14¼	AlskAir	.16	.6	18	1605	26⅝	26⅛	26¼	+⅛
25	13½	Alberto s	.24	1.0	34	785	25	24⅝	25	+⅛
23⅛	13½	AlbCul	.24	1.1	29	465	21½	20⅝	21¼	−½
53¼	33¼	Albtsns	.96	1.8	18	498	u54	53⅛	53¼	
39½	27⅝	Alcan	.80	2.0	18	2673	u39⅝	38⅞	39⅝	+¾
51⅞	37	AlcoStd	.28	2.5	19	254	51⅜	50⅞	50⅞	−¼
42⅜	24¼	AlexAlx	1	3.2	30	1710	31¼	30⅜	31	+⅜
49	34½	Alexdr			128	18	43¾	43½	43½	−¼
92	65½	AllegCp			14	x11	88	86¼	88	+1¼
24¾	11⅜	AlgInt				357	24½	24⅜	24⅜	
20	9½	AlgIn pr				69	19¾	19¾	19¾	
93½	39	Algl pfC				75	88½	88⅝	88⅝	
53⅞	36¾	AllgPw	2.92	6.6	11	1403	44	43½	44	+⅛
27¼	14½	AllenG	.56	3.0		220	18⅝	18⅛	18⅝	+¼
28⅞	20⅞	Allen pf	1.75	7.6		16	23⅛	22¾	23	−⅛
45½	31⅞	AlldPd			13	82	40¾	40½	40½	−⅛
48¼	36¾	AldSgnl	.80b	3.8	15	5065	48¾	47¼	48	−⅜
10⅛	6¼	AlldSup			32	433	9½	9¼	9½	
6⅜	2⅛	AllisCh				634	2⅝	2½	2½	
38	25¼	AlisC pf				6	28¾	28¾	28¾	
47¼	32⅞	ALLTL	2.04	4.9	17	173	41⅞	41½	41⅝	−⅛
45⅜	32⅝	Alcoa	1.20	2.6		6028	45⅜	44⅝	45⅜	+¾
18⅝	10½	Amax			368	2157	18⅝	18	18⅝	+½
41½	32½	Amax pf	3	7.4		5	40½	40	40½	+¼
33¼	16⅛	AmHes				13096	33¼	32¼	33	+¾
1⅞	⅛	AmAgr				847	1	15-16	1	+1-16
29⅞	6⅞	ABrck g				1187	u30	29⅛	30	+1
53	36⅜	ABrnd s	2.08	4.2	19	1868	50	49⅝	49⅞	+¼
34⅞	32	ABrd pf	2.75	8.1		5	34	34	34	−⅛
106	75	ABrd pf	2.67	2.7		1	100½	100½	100½	−1
29	21⅛	ABldM	.80	3.4	15	40	23⅝	23¼	23⅝	+⅜
36⅞	23¼	ABusPr	.80	2.7	16	45	29¼	29	29¼	+¼
59½	34¼	AmCan s	1.40	3.0	14	2328	52½	51⅛	52½	+1¼
91⅝	80	ACan pf	3	3.3		71	90	90	90	+⅜
118½	113	ACan pf	13.75	12.		6	114	113½	114	
25⅝	21½	ACapBd	2.20	9.1		75	24⅝	24⅛	24¼	+⅛
35⅜	29⅝	ACapCv	5.82e	17.		42	34¾	34⅛	34⅛	−⅛
24⅞	14⅝	ACMR	1a	5.0	13	327	20⅜	19	19⅞	−½
7⅞	3⅜	ACentC				30	3¾	3⅝	3⅝	−⅛
99½	63	ACyan	1.90	2.0	22	1246	97½	96⅞	97¼	
31⅝	24⅜	AEIPw	2.26	7.8	11	5295	29⅛	28⅞	29⅛	−⅜
81¼	33¾	AmExp	1.52	1.9	14	13615	80⅛	78⅛	78⅝	+1¼
15⅝	11⅜	AFamil s	.22	1.7	10	3910	13¼	12⅝	13	−¼
46¾	34⅛	AGnCp	1.25	2.9	10	5051	43⅛	42	43⅛	+1¼
24	15½	AGnl wt				476	20½	18¾	20⅜	+1⅞
54⅜	51⅝	AGnl pfA	4.04e	7.7		60	52⅜	52⅝	52⅜	−⅛
20	17⅝	AHlthP n				287	18¼	18⅛	18⅛	−¼
43⅞	38	AHerit	1.32	3.1	8	7	42⅞	42⅜	42⅜	
10⅞	6⅛	AHoist				839	8¾	8	8¾	+⅛
25¼	18¾	AHoist pf	1.95	9.5		164	20¾	20¼	20⅝	+⅛
94⅛	71¾	AHome	3.34	3.7	17	2260	91⅛	90¼	90½	−⅛
101⅛	74½	Amrtc s	5	5.4	12	5233	92¾	91⅝	92¾	+1⅛
82	64⅞	AIntGr s	.25	.3	16	6970	80¾	78¼	79	−2¼
22	13⅜	AMI	.72	3.8		1957	19	18¾	19	+⅛
4⅞	2½	AmMot				5231	4½	4¼	4⅜	−⅛
39	22	AMotr pf	2.38	6.5		384	36¾	36½	36⅝	−⅛
38⅛	20½	APresd	.50	1.4	49	1221	35⅞	34	35	−⅞
72½	48½	APrsd pf	3.50	5.0		1	70	70	70	
18⅝	10¾	ASLFla			3	112	18	17¾	17⅞	−⅛
24⅞	19⅜	ASLFl pf	2.19	9.6		84	23	22¾	22⅞	−¼

FILTER CIGARETTES

Marlboro

20 CLASS A CIGARETTES

Continued on Page 49

هكذا من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
76⅛	46¾	Xerox	3	3.9	20	4886	u76⅞	75⅞	75⅞	+1½
58¼	55	Xerox pf5.45		9.7		24	56	55⅞	56	+¼
28¾	21½	XTRA	.64	2.5		79	25⅝	24⅞	25⅜	+¼
20¾	13½	Yorkin n			24	213	[illegible]	[illegible]	[illegible]	[illegible]
6	2¼	Zapata				475	4	3¾	4	+⅛
43⅞	20¾	Zayre s	.32	1.1	19	1668	30⅞	29⅝	29¾	−¼
14¾	9¾	Zemex	.40	3.0	8	129	13⅛	12⅞	13¼	+¼
29⅞	18⅞	ZenithE				869	25	24⅞	24⅜	−½
18¼	8	ZenLb s				1281	11½	11⅛	11⅜	−⅛
21	12⅜	Zero	.36	1.9	20	175	[illegible]	[illegible]	19¼	
51½	32¾	Zurnin	1.32	2.6	20	180	51	50	50⅝	−⅝
10¾	8¼	Zweig	n.10e	1.0		2199	9⅞	9⅝	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

US DOLLAR
THE WORLD VALUE
IN THE FT EVERY FRIDAY

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Profit-takers fail to hold back bull run

WALL STREET

UNDER pressure from profit takers, Wall Street stock prices nonetheless extended their rise to record levels for the sixth straight session on reasonably heavy volume yesterday, *writes Roderick Oram in New York.*

Credit markets were unsettled by the sharp overnight fall of the dollar but a partial recovery in the US currency helped keep the losses on bond prices to a minimum, despite a further short-lived dip late in the day.

The Dow Jones industrial average closed up 5.40 points at 2,369.16 after drifting either side of its previous close throughout the morning. Broader market indices such as the Standard & Poor's 500 fared worse.

Overall, the Standard & Poor's 500 rose 0.48 to 301.64, while the New York Stock Exchange index gained just 0.25 to 171.08. Volume rose slightly to 190.5m shares with declining issues outpacing advancers by a margin of eight-to-seven.

Profit taking seemed to be the trading strategy of some US institutions and Japanese investors as they approached the end of their first quarter and fiscal year respectively. An additional negative factor was a further sell programme by the State of New Jersey of shares in companies doing business in South Africa. But in contrast to several sessions in recent weeks when other sales by the state have triggered a wide-spread retreat, the impact yesterday was *limited.*

Among the blue chips, AT&T rose ⅝ to $25¼, Boeing slipped ⅜ to $52⅝, Coca-Cola dipped ⅜ to $47⅝, General Electric rose ⅝ to $111, *Merck gave up* ¾ *to $162¾ and Exxon fell* ⅜ to $88.

The main strength to the Dow Industrial index came from American Express which rose $1⅛ to $78⅞ *following its announcement it would* sell a 40 per cent stake in its Shearson Lehman subsidiary. The funds raised will make Shearson one of the largest capitalised of Wall *Street investment firms. Among* Shearson's competitors, Salomon Inc was unchanged at $41⅞, First Boston fell ⅜ to $52⅞, Morgan Stanley dropped $1⅞ to $73⅞, E.F. Hutton added ⅜ to $41⅞ and Merrill Lynch dropped ⅝ to $44⅞.

Computer stocks were mixed as many manufacturers launched new products. Control Data gave up ⅝ to $30⅞, Hewlett Packard dropped $1⅛ to $55⅞, Unisys fell $2⅝ to $104⅞ and Digital Equipment rose $1⅞ to $167⅞. IBM, which is speeding up introduction of new models to compete with Digital, added $3⅞ to $152⅞, much of the increase coming late in the day.

Tandon fell $1⅛ to $5⅞ in the over the counter market on reports that *Sears Roebuck, the largest US retailer, was dropping Tandon computer products from its stores. Tandon said the sales accounted for only 10 per cent of total revenue and it pointed to other new contracts such* as one to supply components to Amstrad, the UK computer group.

National Semiconductor fell $⅝ to $15⅞ after reporting a third-quarter loss of $25.6m against a loss of $39.4m a year earlier. Semiconductor stocks generally came under pressure as doubts resurfaced about the future of the US-Japan bilateral chip trade pact.

Motorola lost $⅛ to $55⅞, Intel gave up $⅝ to $38⅞ and Advanced Micro Devices fell $1⅛ to $20⅞. Texas Instruments, which will report a sizeable royalty payment in the latest quarter from Japanese manufacturers, jumped $3⅞ to $183⅞.

In the takeover arena, Conrac leapt $7⅞ to $29 on heavy volume. Mark IV off $⅛ to $19 on the American Stock Exchange, began a surprise $25 a share takeover offer from the instrument and telecommunications equipment manufacturer.

The Limited fell $1⅛ to $47⅞. An investment magazine article suggested that the retailer's fast growth could peak soon. Among other stores groups, K mart added $1⅛ to $65⅞. It raised its quarterly dividend by 17.5 per cent to 43.5 cents a share before splitting its shares three-for-two. J. C. Penney was unchanged at $99⅞, Federated Department Stores gave up $⅝ to $97⅞, Wal-Mart gained $⅜ to $60 and May Department Stores slipped $⅝ to $48⅞.

Car makers were mixed on news of diverse sales trends in the mid-March period. Ford lost $⅝ to $81⅞ despite a sharp rise in sales, General Motors edged up $⅝ to $79⅞, Chrysler was up $⅜ at $56⅞ and American Motors dipped $⅛ to $4⅞.

In the credit markets, the partial recovery of the dollar from the post-war low against the yen it hit in Tokyo overnight helped prevent a sharp fall in bond prices. The 7.50 per cent benchmark Treasury long bond was off ⅛ of a point at 99⅞ at which it yielded 7.57 per cent. *Shorter maturities showed similar* losses.

Markets were little affected by the greater than expected rise of 6 per cent in durable goods orders in *February announced yesterday be*cause it was largely offset by downward revisions to previous months.

CANADA

THE BRISK decline among oil and forestry shares pulled Toronto lower although golds showed some strength.

Shell gave up C$1⅛ to C$38⅞ as Texaco retreated C$1 to C$36.

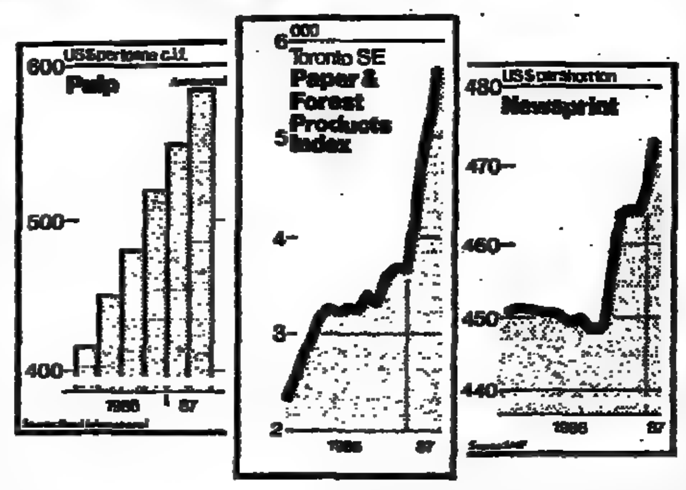
Among leading forest product issues, Macmillan Bloedel dropped C$1⅛ to C$83⅞ and Consolidated Bathurst traded C$⅞ down to C$20. British Columbia Forest Product lost C$⅜ to C$21⅝.

Golds advanced as *International* Corona firmed C$⅝ to C$40⅛ and Dome Mines added C$⅝ to C$15⅝.

In a mixed Montreal utilities showed the best gains as industrials retreated.

Bernard Simon examines the dangers seen lurking behind the recent surge in the Canadian forestry sector

Towering timber stocks haul Toronto higher



THE PHENOMENAL growth of forestry shares on the Toronto stock exchange would be the envy of any dedicated lumberjack.

Since the beginning of the year, the TSE Forest and Paper index has shot up from 3,661 to 5,675, a rise of 55 per cent on top of last year's 45 per cent gain. The TSE 300 composite index has shown a relatively modest rise of 35 per cent over the past 15 months.

The surge marks a sharp turnround in the fortunes of Canadian forest products companies. Macmillan Bloedel, the big West Coast timber, paper and building materials supplier, suffered a loss as recently as the first quarter of 1985. But earnings more than trebled last year to C$133m (US$102.3m).

Analysts expect Macmillan's profits to double again this year, mainly on the strength of buoyant pulp and newsprint prices. The company last week announced plans to raise US newsprint prices by 5.3 per cent on July 1 to US$600 a tonne. Kraft prices are due to go up in April.

Macmillan's share price has surged up in the past year from C$27.50 to C$86, with most of the increase coming since January.

Similarly, the shares of Abitibi-Price, the Toronto-based newsprint maker, have more than doubled in less than a year. Great Lakes Forest Products is up from C$21.50 to C$48.88.

These steep increases have taken forest products shares into risky territory. Mr Ross Hay-Roe, Vancouver-based publisher of the Papertree Letter, bluntly noted in a recent report that: "Investors are acting as though the Canadian forest products industry has no problems, or else that it's stopped being cyclical."

Mr Hay-Roe argues that "the market's continued enthusiasm has more than discounted the doubling of earnings which we expect for this year."

He adds that "relative to book values, the stocks have never been sold so high. Based on *dividends,* there is no reason to own any of them."

The recent strength of the Canadian dollar, which has risen from 69 US cents to 76 cents in the past 14 months, might be expected to dampen enthusiasm for shares in an export-oriented industry.

But *such words of caution* are falling on deaf ears. Mr Jaak Punsepp, respected forest products analyst at Pemberton Securities in Vancouver, *says that clients in the* financial centres of eastern Canada question his reading of market fundamentals.

According to Mr Punsepp, only *British Columbia Forest Products* (currently being taken over by Fletcher Challenge of New Zealand) and Canfor Corp, another west coast producer, remain attractive investments at current prices.

As an example of unwarranted optimism, he points to consolidated Bathurst of Montreal, which is presently trading at a multiple of 17.2 times projected 1987 earnings, compared with 15.6 for the TSE 300 as a whole.

One-third of CB's assets are in Europe, where the paper business is far from buoyant. According to Mr Punsepp, "unless one believes that the US dollar will decline at the same rate which it has in the recent past, the earnings momentum from those assets in Europe just isn't going to be there."

Based on Mr Punsepp's earnings forecast, CB shares should be trading at around C$15. They closed at C$22.38 last week.

The stampeding bulls maintain that buying from the US and Europe is bound to push Toronto share prices higher over a broad front. After sticking mainly to the fixed-interest market, Japanese institutions are also starting to nibble at Canadian equities.

As for the specifics of the forest industry, the optimists hope that capacity shortages will push pulp and paper prices much higher. The lean times of the early 1980s left many companies burdened with debt and discouraged investment in new pulp and paper mills.

Investors apparently believe that the time has come to give Canadian forestry shares the same rating as their US counterparts, which have traditionally traded at somewhat higher earnings multiples.

That may be justified while the good times last, but analysts point out that the Canadian producers are more exposed than companies south of the border to the volatile pricing of "commodity-grade" timber and to protectionist measures in the US. In addition, the outlook for the Canadian dollar is more bullish at present than the US currency.

UK market for small companies plunges

By Philip Coggan in London

THE LONDON stock exchange's main market may be breaking new records but there have been further problems for the Third Market, the new tier for small companies.

Last week, the market index, as compiled by broker Credit Suisse Buckmaster and Moore, fell to another low. The decline was 10 per cent and the market closed at 89.5, compared with the benchmark of 100 set when the new tier was opened on January 26.

The fall was caused largely by a 22 per cent decline in the shares of the market's biggest company, Eglinton Oil and Gas. Eglinton, an Irish exploration stock previously traded under Rule 535 (3) has been the focus of most of the early activity in the market.

The stock exchange had originally hoped that about 25 companies would join the market in its early stages. However, the take-up has been disappointing so far. Only eight companies were listed on the opening day and, although that number has increased to 10, the stock exchange's original expectations of 60 companies in the first year looks a long way off.

In active trading yesterday, Eglinton Oil continued to lose ground with a fresh fall of 2p to 19p. The group's trading range for the past year has shown a *high of 41p to a low of 8p.*

Abelscot group displayed the most resilience in yesterday's trading with a jump of 15p to 245p, taking it just below its high *for the year of 250p.*

EUROPE

Paris and Brussels at new peaks

THE TREND remained buoyant in Europe yesterday as French and Belgian stocks advanced further into record territory and the recovery in West Germany continued, providing encouragement to neighbouring bourses.

Paris had an active session on the first day of the April trading month as foreign investors kept buying and the bullish sentiment was confirmed by Wall Street's record run.

The CAC General index added 9.1 more points to a second consecutive high of 457.8 and the Indicateur de Tendance pursued its record climb to 116.7, a gain of 2.5 on the day.

Once again, construction stocks were in the spotlight of the Disneyland agreement, producing a strong performance from Bouygues, FFr 95 to FFr 1,425, Lafarge-Coppée put on FFr 55 to FFr 1,600 to bring it within FFr 13 of its 12-month high while Saint Gobain added FFr 8 to FFr 455. Dumez scored a FFr 201 gain to a year's high of FFr 2,549, a jump of over 8 per cent.

Electronics stocks took courage from Finance Minister Edouard Balladur's talk on Monday of export-led growth this year. Thomson-CSF gained FFr 34 to FFr 1,735 and Alcatel FFr 35 to FFr 3,005.

Pernod Ricard, with a rise in profits and sales, added FFr 45 to FFr 1,129.

Brussels found strong foreign and domestic demand at the start of the new trading fortnight, with blue chip holdings and industrials again leading the way.

The Brussels Stock Exchange index rose 15.03 to a fresh peak of 4,551.25 in active trading.

Market leader Petrofina gained BFr 55 to BFr 10,425 amid rumours *of a share bonus, while chemical* Solvay added BFr 225 to BFr 10,425.

In holdings, GBL advanced BFr 70 to BFr 3,890 and Tractebel climbed BFr 200 to BFr 7,100; the two *may be helped in acquiring the Bel*gian interests of IC Gas of the UK by the company split approved by IC Gas shareholders on Monday.

Frankfurt appeared to be regaining its footing as bank and car stocks led the bourse higher from the start in good turnover. But concern was still being expressed in *some quarters about the earnings* of companies due to report in the near future, so the solidity of the bourse upturn is still not assured.

The Commerzbank index was up 17.3 at 1,690.3 at mid-session amid some profit-taking.

Utility Veba performed well on the second day of the Government's flotation of 10.1m shares, climbing DM 8.70 to DM 261 after reaching DM 263.50 at one stage.

Among banks, Dresdner was up DM 6.30 to DM 329.50, Deutsche DM 10.50 at DM 640.50 and Commerzbank DM 2 at DM 264.50.

Cars saw Daimler advance DM 17 to DM 923, BMW put on DM 9.50 to DM 489.50 and VW rose DM 4.50 to DM 339, continuing its recovery.

UK stockbroker Hoare Govett gave buy recommendations for just four West German shares – Bayer, up DM 5.60 to DM 717.80, and Siemens, which rose DM 10 to DM 647.50.

Bonds again finished sharply higher, with gains of 40 basis points *for long-dated issues in foreign buying.* The Bundesbank sold DM 141.6m worth of paper after selling DM 131m on Monday.

Zurich picked up pace and ended generally higher under the twin impact of Frankfurt's firmness and Wall Street's gains. The Crédit Suisse stock index rose 4.6 to 523.3.

Bargain-hunting among banks, which have been under pressure recently, pushed Union Bank up SFr 150 to SFr 5,125 and Crédit Suisse SFr 40 higher to SFr 3,080. Crédit Suisse has been ordered to freeze accounts believed to have been involved in one of the US insider trading scandals, the Justice Ministry said.

Amsterdam was mixed in moderate trading as worries continued over the outlook for the dollar. Some 80 per cent of turnover took place in internationals Royal Dutch, up Fl 1.30 to Fl 249, and Unilever, which edged up 50 cents to Fl 570.50.

Biochemical group Gist Brocades, which reported higher 1986 profits, was steady at Fl 43.80.

Milan eased on profit-taking and renewed caution about the attempts to form a new government.

Stockholm recovered, with Ericsson up SKr 5 at SKr 272 on news of a SKr 400m Algerian order. Oslo was mixed in active trading.

Watchdog body for Amsterdam exchanges, Page 29

LONDON RECORD

GROWING confidence in the UK equity sector found further encouragement from the renewed surge on Wall Street and a report from the Confederation of British Industry saying order books are at their best levels for a decade.

London stocks opened strongly, led by gains in oil shares, and they shook off bouts of profit-taking to close at new peaks. The FT-SE 100 index was up 22.2 at a record 2,056.2 and the FT Ordinary index climbed 13.7 to 1,625.2, finally bursting through the previous peak recorded at the beginning of the month.

An initial rush into equities by UK institutions was soon followed up by foreign buyers, although sluggishness in pharmaceuticals indicated a more cautious approach by the Japanese.

Exporting stocks benefited from sterling's easier tone against the D-Mark, while weakness in the dollar sparked off heavy demand for gold shares.

Government bonds ran into some selling pressure at the end of a dull session, ending with losses up to 1 point in longer-dated issues. Details, Page 46

SOUTH AFRICA

HIGHER BULLION prices boosted Johannesburg gold shares despite the firmer financial rand.

Randfontein repeated Monday's R9 jump to close at R420 while Vaal Reefs overcame the weaker tone of the previous session to post a R20 surge to R360.

Other mining houses mirrored the path of gold shares. Anglo American at R47.50 was R1.25 higher although Gencor moved against the trend with its 25-cent decline to R57.75.

De Beers encountered fresh buying which took it R1.10 up to R35 while leading industrial issue Barlow Rand sparkled with a 50-cent gain to R21.25.

Tiffany in $90m share flotation

By Rod Oram in New York

TIFFANY, renowned for its exclusive gold and silver jewellery, plans to offer to the public shares representing 48 per cent of its equity in a deal which could raise about $90m.

The company, which celebrates its 150th anniversary this year, will offer in late April or early May, 3.2m shares in the US and 800,000 abroad at an indicated price of $21 to $23 each.

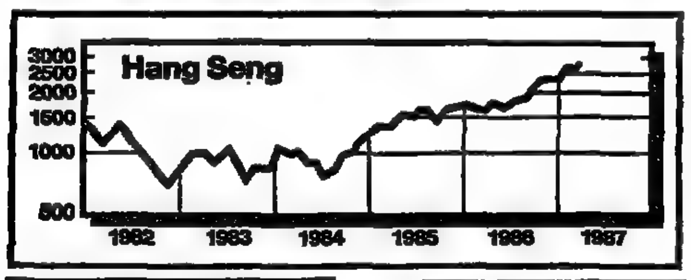
The flotation comes four years after a group of senior managers and investors bought the company from Avon Products, the US cosmetics group. The initial cost of the buyout was $95.5m, compared with a current value of the full equity of close to $200m, judging by the offer price.

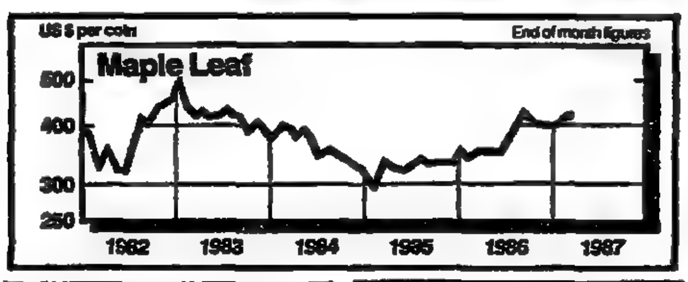
As a result of the issue, subsidiaries of the Arabian Investment Banking Corporation of Bahrain will reduce their shareholding to 28.2 per cent from 49.8 per cent, General Electric Credit Corp. will cut its stake to 15.2 per cent from 25.7 per cent and the holdings of management and other small investors will fall to about 8.5 per cent from about 25 per cent.

Tiffany, whose main store on Fifth Avenue is a Manhattan landmark, has seven other US stores, a joint venture with UK interests in a Tiffany shop on Old Bond Street in London, plus distribution arrangements with other retailers at home and abroad.

It earned net profits of $7.4m on sales of $182.5m in the year ended January 31, 1987, against a loss of $2.6m on sales of $141.9m a year earlier.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 24	Previous	Year ago
NEW YORK			
DJ Industrials	2,367.05*	2,363.78	1,782.93
DJ Transport	950.62*	947.55	809.74
DJ Utilities	221.44*	221.56	186.76
S&P Comp.	300.81*	300.56	235.33
LONDON FT			
Ord	1,625.7	1,611.5	1,364.7
SE 100	2,054.5	2,033.0	1,663.9
A All-share	1,026.58	1,014.73	818.36
A 500	1,148.72	1,135.04	896.96
Gold mines	386.6	367.4	305.4
A Long gilt	8.86	8.86	8.92
TOKYO			
Nikkei	21,495.3	21,588.25	14,873.2
Tokyo SE	1,880.72	1,859.33	1,192.32
AUSTRALIA			
All Ord.	1,663.8	1,556.6	1,156.8
Metals & Mins.	839.6	828.5	602.8
AUSTRIA			
Credit Aktien	201.02	200.63	232.78
BELGIAN SE	4,551.25	4,536.22	3,447.83
CANADA			
Toronto			
Met.& Mins.	2,856.2	2,882.7	2,433.0
Composite	3,836.1	3,842.1	3,041.3
Montreal			
Portfolio	1,919.1	1,915.97	1,581.79
DENMARK SE	—	—	241.61
FRANCE			
CAC Gen	457.80	448.7	348.3
Ind. Tendance	116.70	114.2	85.6
WEST GERMANY			
FAZ-Aktien	565.89	551.31	674.66
Commerzbank	1,690.30	1,673.0	2,043.7
HONG KONG Hang Seng	2,828.07	2,813.40	1,695.29
ITALY Banca Comm.	714.92	718.56	671.78
NETHERLANDS ANP CBS			
Gen	280.80	278.60	282.9
Ind	255.40	255.50	250.8
NORWAY Oslo SE	419.19	419.49	354.71
SINGAPORE Straits Times	1,057.76	1,061.09	595.98
SOUTH AFRICA JSE			
Golds	—	1,805.00	1,295.7
Industrials	—	1,887.00	1,189.8
SPAIN Madrid SE	225.95	227.70	152.81
SWEDEN J & P	2,558.44	2,521.30	2,036.70
SWITZERLAND Swiss Bank Ind	585.10	576.90	561.9
WORLD MS Cap. Int'l March 23	434.4	429.9	301.7

COMMODITIES (London)

	March 24	Prev
Silver (spot)	352.65p	344.40p
Copper (cash)	£943.00	£925.50
Coffee (September)	£1,305.00	£1,315.00
Oil (Brent)	$18.375	$18.075

GOLD ($/oz)

	March 24	Prev
London	$408.75	$408.25
Zürich	$409.30	$406.90
Paris (fixing)	$412.09	$407.29
Luxembourg	$410.75	$406.40
New York (April)	$414.10*	$410.80

CURRENCIES (London)

	US DOLLAR Mar 24	Previous	STERLING Mar 24	Previous
$	–	–	1.6115	1.6175
DM	1.8215	1.8200	2.935	2.945
Yen	149.25	150.15	240.5	242.75
FFr	6.066	6.0600	9.7725	9.8025
SFr	1.5220	1.5230	2.4525	2.465
Fl	2.0585	2.0560	3.3175	3.325
Lira	1,297	1,296	2,090	2,095.25
BFr	37.65	37.75	60.65	61.05
C$	1.3070	1.3065	2.1055	2.1156

INTEREST RATES

	Mar 24	Prev
Euro-currencies (3-month offered rate)		
£	9⅞	9⅞
SFr	3[illegible]	4
DM	4	4⅛
FFr	8[illegible]	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6[illegible]	6[illegible]
6-month US$	6[illegible]	6[illegible]
US Fed Funds	6⅛*	6[illegible]
US 3-month CDs	6.10*	6.375
US 3-month T-bills	5.615*	5.79

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar 24				
June	100-05	100-09	99-28	100-10
US Treasury Bills (IMM) $1m points of 100%				
June	94.38	94.40	94.33	94.39
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.45	93.45	93.40	93.51
20-year Notional Gilt £50,000 32nds of 100%				
March	125-16	126-05	126-05	126-26

US BONDS

Treasury

	March 24 Price	Yield	Prev Price	Yield
6¾ 1989	99[illegible]	6.436	99[illegible]	6.384
7⅛ 1993	99[illegible]	7.064	99[illegible]	7.03
7¼ 1996	100	7.245	100[illegible]	7.226
7½ 2016	99[illegible]	7.57	99[illegible]	7.545

Source: Harris Trust Savings Bank

Treasury Index

March 24

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.69	7.78	–0.03

Source: Merrill Lynch

Corporate

	March 24 Price	Yield	Prev Price	Yield
AT&T 3⅞ July 1990	94.08	5.90	93.79	6.00
SCBT South Central 10⅞ Jan 1993	105.125	9.73	105.25	9.27
Phibro Sal 8 April 1996	99.50	8.08	99.875	9.70
TRW 8⅞ March 1996	103.50	8.19	103.5	8.80
Arco 9⅞ March 2016	112.125	8.72	113.0	8.64
General Motors 8⅝ April 2016	94.125	8.88	94.25	8.67
Citicorp 9⅞ March 2016	100.875	9.28	101.00	9.27

Source: Salomon Brothers

* Latest available figures

ASIA

Record yen forces Nikkei to fall

TOKYO

THE YEN'S surge to a post-war high against the dollar sparked selling of AIDS-related and blue chip stocks in Tokyo yesterday, dragging down equities broadly, *writes Shigeo Nishiwaki of Jiji Press.*

Conversely, giant-capital steels and shipbuildings were among the best performers, brokers said.

The Nikkei average plunged 152.95 to 21,435.30. Turnover stayed high at 1.86bn shares, up from Monday's 1.76bn. Declines swamped advances by 559 to 311, with 148 issues unchanged.

Aided by the fifth consecutive record-breaking show on Wall Street overnight, the Tokyo market opened firmer. But a slide set in as investors turned on the sell side after the yen's surge to a post-war height, despite the Bank of Japan's dollar-buying market.

Stocks related to acquired immune deficiency syndrome skidded almost across the board after recent sharp gains on speculative buying. Ajinomoto shed Y180 to Y3,180 after losing Y260 at one stage, while Sumitomo Chemical ended Y10 down at Y830 *after sagging an early Y40.*

The downturn of the two market leaders prompted selling of other biotechnology-related foods and pharmaceuticals: Nisshin Food Products slumped Y220 to Y3,770, Nippon Suisan Y48 to Y582, Fujisawa Pharmaceutical Y90 to Y1,990 and Takeda Chemical Y80 to Y3,010.

By contrast, Nippon Zeon gained Y60 to Y1,160 and Japan Synthetic Rubber Y23 to Y670.

International populars also slipped, with Mitsubishi Electric falling Y28 to Y533, Toshiba Corp Y29 to Y711, NEC Y80 to Y1,630 and Matsushita Electric Industrial Y60 to Y1,890. *But trading in those issues remained light,* with volume of Mitsubishi Electric amounting to only 9.98m shares.

Superconductor-related shares, recent populars, ended *mixed.* Mitsubishi Metal added Y18 to Y783, while Mitsui Mining and Smelting weakened Y30 to Y455. Fuji Electric eased Y19 to Y600 and Hitachi Cable Y20 to Y1,130.

Amid a growing liquidation mood, large-capitals attracted the bulk of trading activity, with steels and shipbuildings occupying nine of the 10 most active stocks. The nine issues accounted for 63.7 per cent of overall turnover, due to the rapid inflow of surplus funds from institutions for quick profits.

Nippon Steel headed the active list, with 369.36m shares changing hands, putting on Y16 to Y380. Nippon Kokan, second busiest with 227.94m shares, strengthened Y22 to Y308, Sumitomo *Metal* Industries, third with 118.09m shares, Y9 to Y279, Japan Steel Works, sixth with 78.53m, Y37 to Y497 and Kawasaki Heavy Industries, eighth with 53.95m, Y28 to Y270.

Elsewhere, Tokyo Gas climbed Y80 to Y1,320.

Bonds closed sharply lower after *a strong gain in early trading,* despite the strong yen.

The yield on the 5.1 per cent government bond due in June 1996 plummeted from 4.365 to a record *low of 4.205 per cent in early trad*ing on continued buying by securities companies.

But the yield on the bellwether issue later rebounded to end at 4.400 per cent in block trading on the Tokyo stock exchange, reflecting mounting investor concern over its *precariously high price.* In later inter-dealer transactions, it rose further to 4.450 per cent.

AUSTRALIA

FURTHER SUPPORT for gold issues combined with a rally among blue chip industrials to push Sydney to its fourth straight record as the All Ordinaries index added a fresh 7.1 to 1,663.8. The All Industrials recovered from Monday's weakness to show a rise of 4.2 to 2,578.6. Turnover remained high at 164m shares.

BHP Gold Mine rights remained at the centre of attention with over 9.8m rights changing hands. They closed at A$1.23 to *show a fall of* 7 cents.

Further speculation that Bell Resources will buy a 19.8 per cent stake in BHP held by Elders IXL galvanised sentiment among these stocks: BHP gained 5 cents to A$10.65, Bell posted a 32 cent jump to A$5.40 while Elders finished the day with a 10-cent advance at A$5.28.

HONG KONG

BUOYANT domestic and foreign buying in Hong Kong translated into a 14.67 point gain in the Hang Seng index to 2,828.07 on turnover of 940m shares. The *Hong Kong* index was 12.17 up at 1,818.24.

Property issues continued to derive benefit from the solid result from the latest government land auction: SHK gained 60 cents to HK$25.80, Wharf firmed 15 cents to HK$9.25 ahead of results although Cheung Kong was steady at HK$44.75. Hang Lung, which reported a surge in *interim profits,* advanced 20 cents to HK$12.20.

Swire picked up a 10 cents to *HK$23.80* ahead of today's results while Hutchinson shed HK$1 of its recent gains to close at HK$54.

Utilities were actively higher: China Light gained 80 cents to HK$22.40, Hongkong Electric edged 20 cents up to HK$14.20 and Hongkong Telephone was 10 cents higher at HK$13.10.

SINGAPORE

A MILD dose of profit-taking developed in Singapore as the Straits Times industrial index shed 3.33 to 1,057.76 on volume of 26.8m shares compared with Monday's 34.3m.

United Industrial Corp was the most active as it gained 32 cents to S$4.14 on 1.9m shares after revealing strong annual results and a one-for-two bonus issue.

National Iron also rose on profit figures: it added 26 *cents to S$5.10* on 1.2m shares.

Jack Chia MPH was actively bought 8 cents higher to S$1.12 on its second day of trading *after its relisting.*

Among the losers were Genting which showed a 35-cent fall to S$6.65, Singapore Airlines retreated 20 cents to S$11.30 and Hong Leong Credit turned 12 cents cheaper to S$3.28.

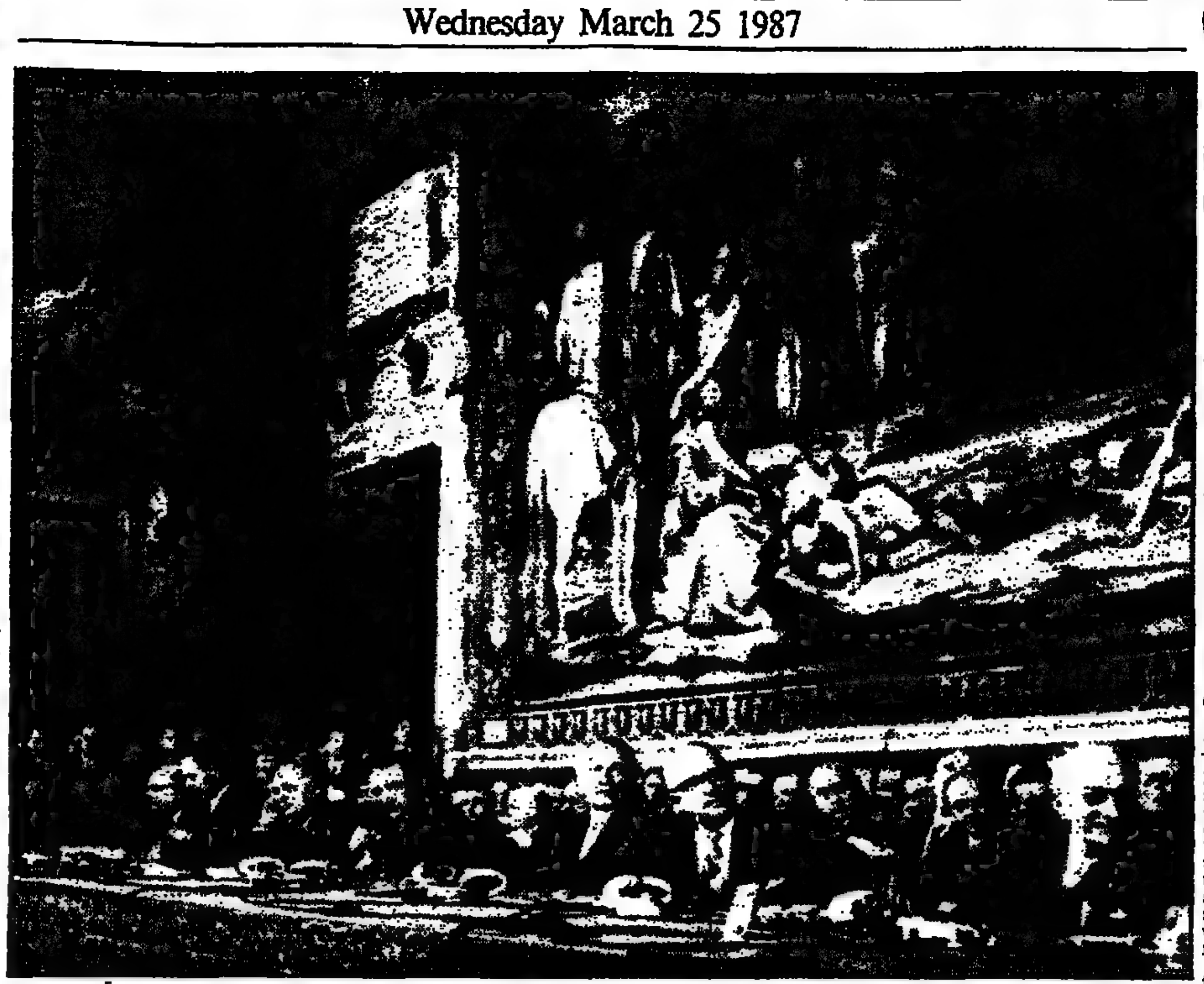
Institutional buying aided Fraser & Neave up 30 cents to S$10.40

مركز الأهرام

هكذا من الأصل

FINANCIAL TIMES SURVEY

Thirty years after the signing of the Treaty of Rome, the EEC may no longer seem an exciting adventure but its economic resilience, dynamism and ability to adapt are proven, says **Ian Davidson.** Politically, however, the dividends remain small, a limitation which may be overcome only when greater emphasis is given to the security dimension.



Life is short and art is long: in Rome, in March 1957, the new Europeans signed the historic treaty that was a rational response to the devastation of war

The EEC

30 YEARS ON

CONTENTS

Graphics: Christopher Walker and Michael Quinney

In place of passion

BY MOST pragmatic yardsticks, the European Community has proved phenomenally resilient and dynamic. It has been so magnetic that it has seen its membership double from six to 12 member states, it has lived through and survived serious internal political crises, and its independent institutions have been able to adapt policies to changing circumstances.

No one seriously questions that the European Community is the central and the dominant policy organ in Western Europe; even the Soviet Union seems at last prepared to acknowledge the Community's political significance.

And, yet, there is a very different side to the picture. In the first place, one of the biggest contrasts with 30 years ago is that most of the early passion and many of the early certainties have seeped away.

This change is not all for the bad, since the early passions tended to be polarised in a fierce dogmatic argument between the Gaullists and the rest over whether the Community should or could become more supranational; the passage of time and the passing away of undiluted Gaullism in France, have shown that this argument was too black-and-white to correspond to reality.

The other side of the coin, however, is that passionate commitment to the European Community is probably rarer than it was 30 years ago. There remains a hardy band of true Community devotees, and it is probably true that the *general* idea of Europe commands a greater degree of popular assent in at least some member states (the UK, for example) than it did before. But it is difficult to pretend that the *Community* as such provokes a widespread sense of excitement or hope, in any member state.

This is partly a question of familiarity, but it is mainly a question of disappointment. After all these years, public opinion is not going to get into a lather over a European summit meeting, when the heads of state or government meet routinely three times a year. But the sense of disappointment is more serious.

In the early days of the Community, the first steps down the road—the first tariff reductions, the harmonisation of cereals prices—generated resonances of sympathetic excitement, because these technical economic moves were seen as symptoms of a daring political adventure.

Today, the political dividend has proved extremely pedestrian: as far as the governments are concerned the Community may be indispensable, but as far as public opinion is concerned, it is boring or depressing, or both. After 30 years of crises, marathon and interminable arguments, the Community no longer seems an exciting adventure.

Part of the reason for this is that a central feature of the Community's inherited patrimony is now irreparably discredited. For many years the common agricultural policy was routinely touted in the Six original member states, in the face of all the criticism of the free-trading British, as a symbol of all that was finest and most promising about the Community. It was an exemplar of common pricing and central funding; it would contribute to currency stability between the member states; it would sustain Europe's agricultural vocation.

To be sure, putting the farm policy right will cost heroic efforts and will meet extraordinary resistance in the defence of farming interests. But there will be few to claim theoretical virtues for a policy which spends two-thirds of the Community's budget subsidising farmers to produce large surpluses which cannot be sold, in an age when all govenments are trying to reduce other forms of state spending, despite record structural unemployment in the industrial classes. Politically, presentationally and financially, reform is no longer avoidable, and everybody knows it.

What is not so clear is whether there is a political consensus on the purpose of the Community and on the direction in which it ought to be moving.

Traditionally, the Commission has appeared to believe that one of the natural ways to promote the cause of European integration was to develop spending policies at the centre, and thus to seek a steady increase in the Community budget.

In the past two or three years, however, the Commission has swum with the current tide of conventional wisdom, that governments' top priority should be the fight against inflation and the control of public expenditure, and in the place of Keynesian demand management to substitute deregulation, privatisation and the free play of market forces.

At the Commisson, Lord Cockfield produced his White Paper on the removal of all non-tariff barriers by 1992, so as to produce a Community market without frontiers, and so successfully reinforced the tide of conventional wisdom that the member states adopted the objective and the target date in the new treaty document (the Single European Act) which they negotiated in 1985.

The logic of the case for concentrating on the opening up of the internal market is deeply attractive. Despite the removal of internal tariffs, substantial obstacles to trade between the member states remain, which impose very large real costs on the Community's economy. The removal of these barriers and these costs would make the Community more competitive with its major rivals in Japan and the US, and would do more for growth than any macro-economic measures.

Moreover, and this was not the least of the attractions, such an objective would have two major political benefits. The 1992 target for a completely free internal market would give the Community and its institutions a direction and a work programme for seven years ahead; and the difficulty of reaching the target could be used, and was successfully used, to persuade the member states to enlarge the scope of majority voting in the Council of Ministers, and to enhance the influence of the European Parliament, thus serving the traditional objective of the sub-federalists.

The beautiful and austere simplicity of the internal market programme has not lasted long. The new programme of proposals put forward this year by the Commission seems to betray a reversion to all the old nostrums of activism and extravagance, expressed in terms which can only be described as arrogant. It demands a massive increase in the Community's budgetary resources, partly to wipe out the accumulated hidden deficits of the farm policy, partly to finance a doubling of the structural (ie regional and social) funds, and partly to have a margin of safety.

Now it is true that the Community is facing a massive budgetary crunch. Not merely is it already exhausting the funds legally available, but large additional sums will be required to wipe clean the financial slate, and still other large sums will be required to ease the lot of marginal farmers, if the transition to a less wasteful farm policy is to become politically acceptable. Moreover, there may be a case for giving special help to some of the poorer member states, perhaps through the regional fund, to help them meet the competitive stress of a fully

Continued on page 12

europe, our future.

25th March 1987 marks the 30th anniversary of the signature of the Treaty of Rome.

In the past three decades, the European Community has grown from 169 million citizens to over 321 million citizens; from six Member States to twelve Member States *. Today it is the world's largest exporter with over 20% of total world exports.

Its progress has been the result of political will and vision, supported by the efforts of Europeans to continue growth and development.

Growth must be continuous and vigorous. Progressive dynamic policies and programmes will ensure the future of the next generation of Europeans. For the good of the whole Community, policies and programmes are regularly initiated and proposed by the European Commission in accordance with the Treaty and the needs of tomorrow's Europe.

Here are just a few areas of promising development where the European Commission is concentrating its efforts:

■ *The ESPRIT programme, for example, provides the* information technology industry *with the framework it* needs to be competitive on world markets in the 1990s.

Programmes like ESPRIT are now providing European companies and research establishments the means *to combine their strengths across frontiers*, by *saving time and money and pooling research resources* and results.

When the Treaty of Rome was signed thirty years ago the computer age was just beginning. By the year 2000, telecommunications will represent Europe's biggest investment in technology. Community action is now preparing the advanced, trans-European telecommunications of the 1990s.

■ Energy, too, is playing a vital role in the development of the European economy. European Community energy policies and programmes are achieving notable results. Working together, our member countries have halved their needs of imported oil. After twelve years of economic growth, the Community is now consuming about as much energy as was used in 1973. An important role has been played by Community programmes in energy technology, particularly in increasing energy efficiency, developing oil and gas resources, and finding alternatives to imported energies.

Over 1500 innovative, realistically-sized energy technology projects, with a financial contribution of over 1,000 million ECU **, are bridging the gap between successful research and development and commercial exploitation. Workshops and conferences are organized to pass on the good news to all energy users and producers, small and large alike.

Essential information on these innovative projects to stimulate replication throughout the European Community is contained in the SESAME computerized data base, shortly to be opened to the public.

■ A very special role is foreseen for small and medium-sized businesses in the Community's future. The European Commission has set up a Task Force to *concentrate on the vital problems of small businesses*. Its aim is to establish economic and social conditions which favour the creation and development of businesses, mobilize risk capital, improve the legal, administrative and fiscal environment, and facilitate access to information. There's more good news. The Community has just agreed a 1 ½ billion ECU loan facility, the New Community Instrument for small businesses.

If you want to find out more about these exciting opportunities for small businesses, or any other part of the Commission's activities or policies, cut out and send the reply coupon today.

■ Together we can all make a better Community.

* *Members of the European Community are*: Belgium, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom.

** 1 ECU = £0.735454 (March 1987).

EUROPEAN COMMUNITY

EUROPE OUR FUTURE

30th ANNIVERSARY 1957-1987

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Perceptions of a community . . . FT writers consider the responses of the four largest member states, three of them founders, to the increasing need to co-ordinate national policies.

Ashley Ashwood

Mrs Thatcher, pictured at a meeting of the 12 heads of government in London last December, has stopped talking about " our money."

The UK

Nowhere else to turn

BRITAIN has finally come to terms with membership of the European Community. It is impossible to say precisely when that happened. If one had to put a date on it, it would be some time shortly after the British general election of 1983.

Mrs Margaret Thatcher had reached an agreement on the British contribution to the Community budget that was somewhat more generous than her foreign policy advisers thought possible or even wise to seek. She stopped talking about " our money."

But there was something even more important than that. After the election of 1983, the Labour Party changed as well. It began to recognise that withdrawal was not an option. Membership ceased to be an issue in British politics. In the forthcoming general election it will not even be raised, though what the various parties want from the Community is, of course, another matter.

The single most important reason for the change—apart from the accommodation on the budget—was the realisation that Britain in the 1980s had nowhere else to turn. The country was too weak to go it alone, either economically or politically. The special relationship with the US had become too unequal: Britain needed Europe to restore the balance. The old options of doing something with the Commonwealth or with the remaining Efta countries had long since disappeared, if they had ever existed.

The realisation spread through all political parties. The Labour Party now thinks that it is natural to have consultations and co-operation with its sister parties in Europe. The alternative economic strategy once favoured by the left, which saw Britain undergoing economic regeneration by cutting itself off from the rest of the world, has sunk almost without trace.

Indeed it is striking that it is sometimes the Labour Party rather than the Conservatives that is pressing for full British membership of the European Monetary System—the last sanctuary of the club from which Britain still excludes itself.

Of course, Europe has changed beyond recognition since the years when, first, Britain did not want to join and, later, when the Community of the Six, led by France, did not want Britain in. It has ceased to be inward-looking. All the members, and not only Britain, know that they need each other if they are to stand up to the rest of the world.

It is sometimes said that there is a danger of the Community splitting into its northern and southern tiers, but that in a way is a tribute to enlargement. The US in its earlier history also had trouble in keeping north and south together. It succeeded. That is the challenge to the Community: how to keep disparate countries together in a common cause.

The democratic frontiers have also been extended. Spain, Portugal and Greece are now members. They would not be if they were still dictatorships. Knowledge of that must discourage them from attempting to return to their old ways.

Such factors matter to the British left, which used to see the old Community as a rich man's club dominated by France and the Federal Republic of Germany. Now it is seen as a much more open, more political body where even the rich members have problems with unemployment and can learn from each other.

In coming to terms with membership, Britain needed to show that it could make some specific contributions rather than just whining about the costs of belonging to a Community that it joined too late to shape.

There have been two, in particular. One is the push towards the liberalisation of the internal market, due for completion by the early 1990s. The other is political cooperation, which means essentially foreign policy.

Liberalisation of the internal market is good for Britain because Britain is good at services, especially financial services. No other financial centre in Europe can touch London. Even Frankfurt is jealous of the way that London goes on developing. Yet London's dominance is a contribution to Europe; there has to be a principal financial centre somewhere in the Community—London is it.

There is also the more popular aspect of liberalising the internal market: cheaper air fares, for example. They affect people. Even those who do not fly very often must notice the anomalies in fares between different places of approximately the same distance apart. The British Government is trying to bring the fares down. Again, that is part of a British contribution to the development of the Community which the country initially was not in a position to make. Now that it has ceased to be a grudging member, it can take the lead. In other words, it is finding a role.

It is the British role in the development of foreign policy, however, that matters most. Political cooperation has helped to bring the British and the French together. The two old sparring partners do have interests in common. What is more, they have come to recognise that the areas in which they can operate separately are increasingly restricted. They also need allies, and they seek them in Europe.

The Single European Act last year legally enshrined political cooperation alongside the original Treaties of Rome. It is still a developing forum. Not every aspect of foreign policy has to be discussed and there are some notable omissions: the Community has not really turned itself to the Cyprus problem, for instance, though it is on its doorstep, and the interest in the Middle East has been sporadic rather than sustained. Yet, the forum is there: it could lead to a common European foreign policy if that is what the members want.

Add the renewed interest in Western European Union, the body that includes the core European members of Nato, and it will be seen that even the idea of a European defence policy could be coming back to life.

It may be said that Europe has been reactive rather than assertive. The Community would never have woken up to the need for a common foreign policy if it had not feared that the US might one day go its own way and, more recently, that the Soviet Union under Mr Mikhail Gorbachev is a different proposition than under his predecessors. There is something in that. But it is still happening and Britain has enormous cause to be grateful. The country could no longer make foreign policy alone. It was becoming overdependent on the US and needed a new home where it could be more or less regarded as an equal.

Moreover, the change has come about without any great confrontation between Europe and the US. The Europeans know that if they want to exert influence on Washington, they had better act together. The same should go for relations with Moscow. At present, British foreign policy is very nicely placed: a door open to both superpowers, but only if the Europeans continue to recognise common interests.

There is one other side effect of British membership worth mentioning. It is very doubtful whether there would have been an Anglo-Irish agreement if both countries had not been members of the Community. Membership of the same club led to a growing mutual respect. Europe does break down barriers.

Malcolm Rutherford

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France

Emergence of broad-based consensus

THE PAST few years have brought fundamental changes in French attitudes to Europe and these have sharply narrowed the differences over European issues between the political parties.

It is, for example, easy to forget now that when the French Socialists came to power in 1981 they favoured expanding domestic production by partially closing French frontiers, they were dubious about the value of the EMS and hostile to European cooperation in defence.

Those beliefs got buried in the exchange rate crises of their early years in power. These had the effect of deepening French commitment to the EMS and to the pursuit of convergent economic policies. All parties in France—except the Communists—now favour keeping the franc pegged closely to the DM which in turn means following restrictive anti-inflationary policies.

Likewise, when Mr Jacques Chirac took over as Prime Minister in March of last year, it was as the head of a neo-Gaullist RPR party that was dubious about the enlargement of the EEC, opposed to the signing of the Single Act treaty and committed to defending French farmers—the party's loyalist rank and file—against inroads into the Common Agricultural Policy.

On the first two issues, the party rapidly swallowed its words notwithstanding the continuing opposition of the "old guard" Gaullists who are faithful to de Gaulle's hostility to supra-nationalism in Europe.

On the CAP, Mr Chirac has achieved a remarkable turnabout in policy. His government—in opposition to the farmers lobby—is now committed to reducing Community surpluses. With the help of Mr Henri Guillaume, the French agricultural minister, he has imposed on French farmers hefty cut backs in milk quotas and reductions in cereal prices—softened somewhat by national aids—in a way that has brought France closer over farm issues to Britain than West Germany. Behind this lies the growing belief in France that the country cannot afford a subsidised agriculture—as can the Germans—but that the productivity of French cereal producers enables them to compete world wide.

Thus a consensus has emerged on European issues which is probably more broadly based than in Britain or in West Germany. It is a consensus that accepts the need to reform the CAP, that favours tighter budgetary disciplines in the Community—France has become a net contributor which means it has a greater interest in keeping expenditure under control—which favours in principle the opening up of the internal market, and which is anxious for further steps towards collaboration over European defence. Seemingly gone are the days of French high handedness as reflected in de Gaulle's use of the "empty chair" or the refusal of British entry.

Mr Jean-Francois Poncet adds that it is nonetheless, a consensus backed by little enthusiasm. The quarrels within the Community, the absorption with seemingly minor technical issues and the slow pace at which progress has been achieved have all taken their toll of a public opinion which once could be rallied by the notions of the "European dream."

Thus the celebrations in France for the 30th anniversary of the signing of the Treaty of Rome will be symbolic rather than substantial. A crusading exception has been the magazine *L'Express*—owned by Sir James Goldsmith—which recently came out with a front page cover on Europe and a long supplement supporting it.

Behind the growing consensus on Europe lie both tactical domestic imperatives as well as more deep seated factors. On the tactical side, the balance of power in electoral terms in France is currently held by the small percentage of voters who consider themselves centrists. The centrists have been traditionally the main apostles of a stronger Europe and strengthening European institutions. Thus the presidential election campaign next year is likely to be the only major election in Europe in which the future of Europe is an issue.

The Socialists have already made Europe a major plank of their election campaign.

President Mitterrand's speech in London in January was in part intended to provide an historical and intellectual framework to what would be a Socialist policy towards Europe. Not to be left behind, Mr Chirac has also been deepening his European credentials with a greater commitment to research (both European and French) and proposals for an European security forum. He clearly intends to leave no chink of armour open through which his opponents could challenge his failure to be sufficiently European.

More fundamentally, the pro-Europe consensus reflects French concern that European nations individually cannot hold their own against the economic power of the US and the Pacific. These fears had already surfaced in the Socialist government proposals for interventionist policies that would push European companies towards greater collaboration. It is reflected now in Mr Chirac's commitment towards a single European market as providing a spur towards greater rationalisation and growth.

In security terms, the Reykjavik meeting and, more recently, Mr Mikhail Gorbachev's arms control proposals, have spurred French feelings on the urgency of strengthening European security collaboration.

Not only do the French fear that the US is moving towards reducing its nuclear commitment towards Europe and withdrawing some of its conventional forces. But they also believe that unless Europe can establish a sufficiently strong defence identity there is a risk of West Germany drifting eastwards in the wake of a new policy of detente.

The problem is that the French have difficulty in defining what steps should be taken. The government is anxious—particularly under pressures of increased costs—for increased collaboration over armaments production. But as the quarrel over the European fighter plane demonstrated, the French can be difficult partners in the sense that Dassault was unwilling to compromise on its leadership of the project.

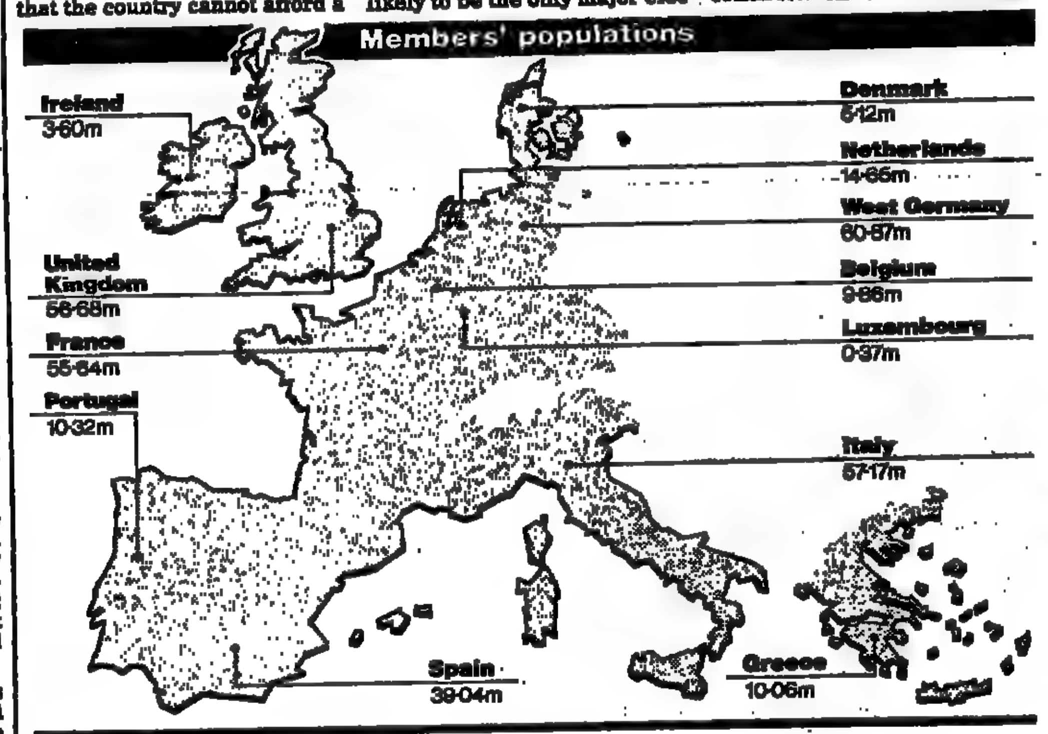
Over security policy, the French withdrawal from the Nato integrated command in the 1960s, has left them in the position of being in the heartland of Europe but not automatically committed to Europe's defence. The Socialists tried to escape this dilemma by creating the Rapid Deployment Force. But it has not fully answered German fears on when France would be involved in a European conflict and in what strength.

As recent remarks by both President Mitterrand and former president Giscard d'Estaing have confirmed, France attaches much more importance than does Britain to advancing Europe through strengthening common institutions. "Cohabitation"—the system of power-sharing between President and Prime Minister—has made it much more difficult for a French administration to launch new initiatives in this area intended to stir public enthusiasm and imagination.

But if there is less rhetoric, there is more emphasis on practical solutions. Implementing the opening up of a single market in Europe will be difficult for the French. France is a country peppered with administrative controls and state monopolies like the PTT (the telecommunications ministry) which will yield ground only slowly to foreign competitors. Since the community was established, France has always regarded the opening up of her frontiers as a concession rather than a benefit from which the consumer might gain.

Such attitudes are changing however. *L'Express* in its special issue on Europe said that the single market was the only way to remove the rigidities that still hamper French growth. Many French might regret this emphasis as a less dramatic way of building Europe, but they increasingly see it as an essential one.

David Housego



Mr Chirac's government, in opposition to the farmers' lobby, is committed to reducing Community surpluses.

Italy

Wedded to the federalist idea

IN CONTRAST to the murky complexity of the country's domestic politics, Italy's approach to the European Community has been gloriously straightforward. The early post-war leadership, in common with its counterparts in countries to the north, identified political and economic integration as the old continent's supreme requirement, and since then the greater part of the Italian political establishment has been unwavering in its support for these objectives.

Indeed, among the larger member states, only the Italian political class is unambiguously wedded to the federalist idea. According to the Italian model, large chunks of sovereignty need to be transferred to a much more powerful European Commission while the European Parliament's powers to initiate and control policies should be greatly extended.

It was no coincidence that it was an Italian, the late Altiero Spinelli, who led the 1979-84 European Parliament's ultimately successful efforts to agree and adopt a new treaty of European Union. Unfortunately in the Italian view, very little of this grand design found its way into the Single European Act agreed in Luxembourg in December 1985.

In other community countries, the Italians tend to be dismissed as impractical dreamers. Of course, it is said, a country which has been unified for barely a century, and whose central government is constitutionally feeble, can easily contemplate blending its nationality into a federalist design.

Other countries steeped in centuries of nationalist traditions inevitably face greater resistance within their institutions and among their peoples. Italians have no difficulty in recognising such constraints elsewhere, but they are regularly disappointed by French and German leaders, for example, who have parrotted the need for European unity without demonstrating either long term strategic design nor a short term readiness to compromise the national interest in the pursuit of the European ideal.

Thus, the failure to move to the second phase of the European Monetary System in 1980-81 through the creation of an embryonic community central bank was regarded by the Italians as something of a betrayal. When Helmut Schmidt, the then German Chancellor and Valery Giscard d'Estaing, the French President, launched their EMS initiative in 1977-78, the Italian Government regarded it as the potential vehicle for economic and monetary union.

Italy was determined to support it both as a piece of grand European design and as a mechanism which could bring the country's economic performance into much closer convergence with the French and German economies. Once it had secured the wider 6 per cent divergence limit for the Lira against the 2.5 per cent allowed other EMS currencies, Rome worked hard for its success.

As a result, EMS membership put an end to the self-defeating policies of the 1970s which sought to accommodate inflation by repeated currency devaluations. Governments have been forced to adopt more stringent anti-inflation policies and to begin to tackle the huge public sector deficit.

By the end of last year inflation, with a great deal of help from falling oil prices and the dollar, had fallen from 16 per cent and the public borrowing requirement from 16 per cent of GDP to just over 14 per cent.

This special dispensation within the EMS is one of many examples of Italy managing to adapt a European initiative to its judgment of the national interest. This blend of pragmatism and idealism has not spared Italy the criticisms of some historians who maintain that Italy was far too passive and inattentive during the key negotiations of the 1960s on implementing the treaty. This is held to be particularly true of the common agricultural policy whose price support mechanisms were largely devoted to northern European products.

As a heavy net food importer, Italy found itself paying the high market prices set by the EEC for its imports and at the same time transferring money northwards through the EEC budget to finance CAP support.

Budgetary support for Mediterranean producers came to be grafted on to the CAP in an ad hoc fashion during the 1970s when Italian tactics during the annual price negotiations succeeded in winning special concessions for the country's farmers as a price for allowing a price agreement to go through.

By the end of the 1970s these gains were helping to shift Italy from being a net contributor to the community budget towards being a substantial net recipient. The development of the Community's regional and social policies were also a very important source of cash. Italy's share of the largest of these, the regional fund, has delivered around L6,000bn since 1975, more than 90 per cent of which has gone to the Mezzogiorno.

These resources, however, have not done much to close the gap in wealth and opportunity between the Italian north and south. Indeed, a survey produced by the Commission in the early 1980s demonstrated that the gap between the prosperous northern European heartland of Germany and the geographically peripheral areas of Italy and the UK had actually widened in the 1970s.

Nevertheless, community membership furnished vital markets for northern Italian industry and by the end of the 1960s Italian gross domestic product had more than trebled its 1950 level.

Elsewhere, the community provided the framework for Italy's post-war political rehabilitation and an alternative to extreme economic and political dependence on the US which had begun to worry its political leadership in the late 1940s and early 1950s. Moreover, the development of political co-operation enabled Rome to secure backing for its regional concerns, particularly in the Middle East.

The declaration made by the Venice summit of June 1980 on the Middle East, while by no means purely a product of Italian initiative, ranged all of the European governments alongside Italian views on the need to involve the Palestinian people and the Palestine Liberation Organisation in any peace settlement between Israel and the Arabs.

Yet Italy remains a somewhat contradictory member of the EEC of the 1980s. With an economy which is now probably the third largest after West Germany and France, Italy still tends to be regarded and to regard itself as one of the weaker brethren. Its fragile system of government and public administration makes it one of the most persistent offenders in failing to apply community rules and legislation. Moreover, Rome still tends to seek special derogations from introducing new harmonisation measures in such areas as exchange controls and capital movement.

These weaknesses will have to be remedied if Italy is to share a determining influence on the community's future with France, West Germany and the UK. Moreover, since the Community's budget is likely to remain under extreme pressure for the foreseeable future, Italy will be unable to maintain its historic share of resources in competition with the manifestly weaker economies in Ireland, Spain, Portugal and Greece.

A pointer to the future trend can be seen in the proposals for the Community's future financing recently tabled by Mr Jacques Delors, the Commission President. Since they partly employ a measure of gross national product to determine budget contributions, they would, if adopted, raise Italian payments to Brussels in 1987, forecast at Ecu 4,806m, by a further Ecu 188m.

It remains to be seen how Rome will react to the prospect of becoming a more significant source of the Community's financing. With the right diplomacy this could be translated into stronger influence on the Community's future development. However, Italy will have to demonstrate that it can develop initiatives which would both carry the Community towards the desired Italian goal of greater unity and take into account the manifest hesitation of some other countries about moving in that direction.

John Wyles

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West Germany

Bonn seeks a different formula

THE BONN government is by far the biggest paymaster of the EEC and, representing Western Europe's most powerful economy, has a *vital role to play in* guiding the future shape of the community. Put simply, over questions of EEC reform, all roads have to go through Bonn. Yet, the palmy years of the 1950s when Chancellor Konrad Adenauer could say that what was good for the EEC was good for West Germany have now gone forever.

Mr Helmut Kohl, the chancellor, seldom loses an opportunity to proclaim Germany's political commitment to the EEC. But the government has had a great deal of trouble in backing its words with action.

The country has lost its early naive enthusiasm for the EEC when the grouping of the Six was able to represent a fairly straightforward collusion of essentially French and West German interests.

Now that the original EEC has grown, through enlargment and an increasingly complex international environment, into a much more unwieldy animal, the Bonn government seems to have become almost tired of thinking up policies of trying to tame the beast.

In a sense, Bonn is groping towards a new and broader definition of what it wants to get out of the community in return for a commitment to help the commission out of a worsening financial crisis.

The price which *Bonn* is currently demanding includes a degree of generosity towards farmers, contradicting the overriding goal of agricultural reform to which Germany in the past has paid so much lip-service.

Bonn's present line also places the country on a potential collision course with the Commission in other areas — ranging from the liberalisation of air transport to the environment — and promises plenty of room for Brussels squabbling in coming months.

The export-dependent German economy clearly has an enormous investment in the functioning of the common market. Opinion polls show Germans still to be more ideologically in favour of the EEC than nationals from other countries.

None the less, the mood close to disillusionment over the European Community which has taken root in the federal republic poses without doubt one of the major obstacles to solving the EEC's pressing problems.

Mr Kohl's centre-right coalition has just emerged from a painful period of trying to put together a cohesive government programme for the next four years after the January 25 general election.

Preoccupied more than ever by domestic issues, the administration appears woefully short of ideas and initiatives over the EEC.

The economy is heading towards a bumpy stretch after four years of upturn, and politics is likely to be dominated by a series of difficult state (*Land*) elections later this year. So the current rudderlessness of the Bonn Government's EEC policies, above all in the key area of budgetary reform, does not bode well for any breakthrough when Bonn takes over the community presidency in the first half of next year.

In an historical sense, the difficulties are probably inevitable, but they have come to the surface at a most unfortunate time for the EEC.

And, for the hurdles to be overcome, the Bonn Government will require a properly worked-through European policy which is borne by something approaching the whole government, not simply by the experienced foreign minister, Mr Hans Dietrich Genscher, acting more or less on his own.

Mr Genscher is one of the main proponents of cooperation to give the EEC a more powerful political voice on the world stage, but even though he has emerged strengthened within the coalition after the election, Mr Genscher is not likely to be able to hack through the conflicting mass of domestic lobby interests which are the chief arbiter of German policies on the EEC.

Going back to the 1950s, Bonn needed originally to join a united Western European community to lay down firm tracks leading away from the Nazi past — and also from the totalitarian system arising on the other side of the Iron Curtain.

Its western partners recognised this. From the West German point of view, the Community was born out of a need to give the federal republic equally industrial markets and a solid political attachment to the western democratic alliance.

Less burdened by the wartime past, Bonn has now outgrown this early rationale — and not yet found another suited to the country's political and economic position in the 1990s.

The government in no way wants to renege on its role of providing a net DM 8bn a year for community finances — a sum which will increase when the EEC's new financing formula allowing it to levy 1.6 rather than 1.4 per cent of members' VAT receipts comes into force.

As a country which arguably draws full profits out of relatively open internal EEC markets, Bonn rejects the UK language of wanting a "just return" out of EEC contributions.

Although Bonn wants a new payments system which will call on more funds from other relatively rich countries like the Netherlands, Belgium and Denmark, foreign ministry officials say, Germany knows that it will and must remain the principal paymaster.

But at the same time it is clear that Bonn will be playing a good deal tougher than in the past in exacting its terms. The current row between Mr Ignaz Kiechle, the agriculture minister, over the Commission's latest farm price proposals — termed by Mr Kiechle a "declaration of war" — represents the latest stage in three years of hostilities over agriculture.

Increasing yearly farm subsidies have been one of the features of the Kohl government's economic policies. The pattern set by Bonn's decision in 1984 to pay farmers DM 2bn a year to make up for monetary compensation amounts (MCAs) formerly paid out via border taxes has been continued ever since.

Now Bonn is setting its face against the Commission's proposal of phasng out MCA's altogether.

The Bonn view is that, with the Deutsche Mark prone to frequent revaluations within the European Monetary System, EMS realignments would be *impossible to carry out in future* unless MCA's existed to protect German Farmers' incomes which would otherwise be eroded.

Over the vexed question of the EMS's future, Bonn seems to have run short of constructive suggestions for transforming the system beyond a currency intervention mechanism into the more ambitious scheme to promote economic harmonisation favoured by its French and German architects in 1978.

And on the commission's goal of moving to full liberalisation of the internal market by 1992, German defence of norms and standards which protect its own market have been a staple source of irritation with the rest of the EEC.

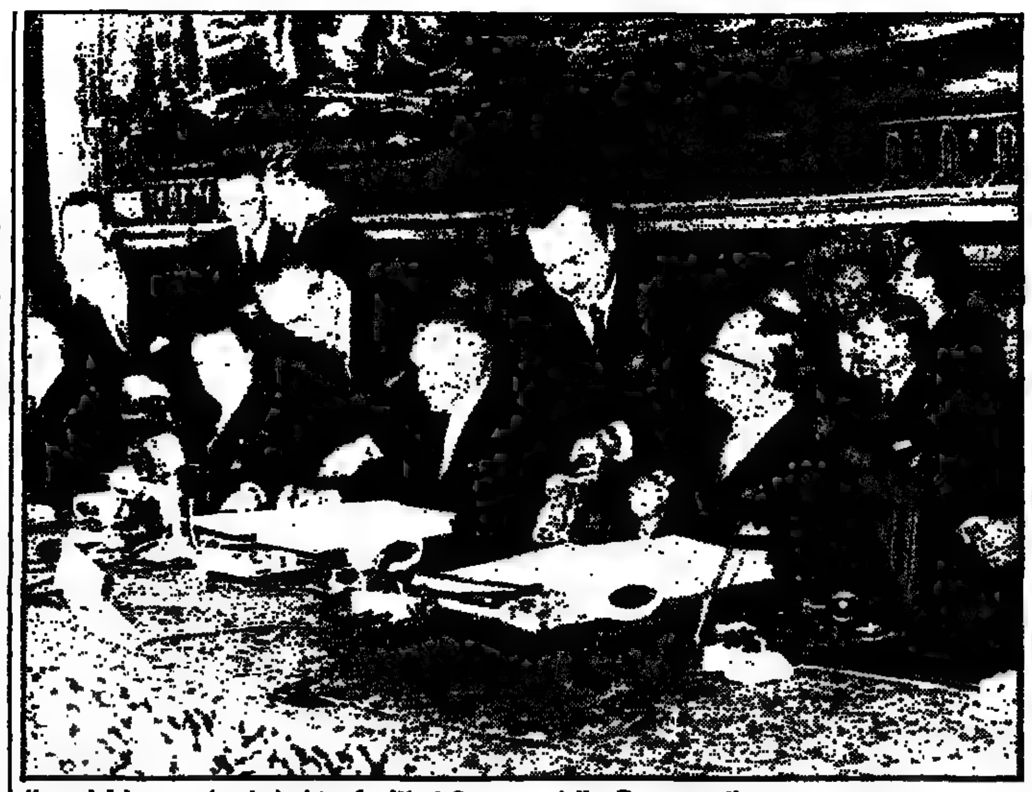
Across the whole complex of issues on which there is at the moment discord between Bonn and Brussels, West Germany sometimes claims it is being unfairly singled out for blame.

The view is heard that the federal republic is only catching up with some delay on the tougher-minded negotiating stance used already by Britain and France.

This might well be partially true, but Bonn's present line, far from laying the basis for less of the past few years' complex bickering in Brussels, seems on the other hand to be paving the *way for still further doses in the* next 12 months.

David Marsh

Hans Dietrich Genscher is keen to give the EEC a more powerful world voice.



Konrad Adenauer (centre) signs for West Germany at the Rome meeting.

Three decades of the Community

March 25 1957. Treaties of Rome, establishing the European Economic Community and the European Atomic Energy Community, signed by the Six.

January 1 1959. The first cut in customs duties. Gradual introduction of common external customs tariff.

July/August 1961. UK, Ireland and Denmark submit applications for membership. Norway follows in April 1962.

January 1962. Marathon negotiations establish the Common Agricultural Policy.

January 14 1963. General de Gaulle says No to British membership applications. Negotiations suspended January 18.

June 30 1965. France abandons its seat in the Council of Ministers in row over provision of future finance and budget powers for Parliament. For seven months, there is an "empty chair."

January 28-29 1966. The Six agree to disagree in the "Luxembourg Compromise," giving France a tacit veto right.

May 11 1967. The UK, followed by Ireland, Denmark and Norway, reapply for membership.

July 1 1968. The customs union completed (18 months early).

December 1-2 1969. The Hague summit: EEC leaders agree on eventual establishment of economic and monetary union, stronger institutions, enlargement to include new members, and stronger political co-operation.

April 22 1970. Establishment of Community's own resources—automatic payment of customs duties, agricultural levies, and up to 1 per cent value added tax to Brussels budget.

October 27 1970. Davignon plan for political co-operation adopted, establishing regular meetings of foreign ministers.

April 1972. The Six, plus UK, Ireland *and Denmark, join the "snake"* exchange rate system, forerunner of the European Monetary System.

January 1 1973. The UK, Ireland and Denmark join the Community. Free trade agreements with remaining Efta members.

February 28 1975. First Lomé convention signed, for aid and co-operation with 46 African, Caribbean and Pacific countries.

June 12 1975. Application for membership from Greece.

March, July 1977. Spain and Portugal apply for membership.

April-December 1978. Copenhagen, Bremen and Brussels summits set up European Monetary System, and create the European currency unit (Ecu). UK stays out of the exchange-rate mechanism.

June 1979. First direct elections to European Parliament.

November 1979. Dublin summit. Mrs Thatcher says: "I want our money back."

February 13 1980. Euronet telecommunications system inaugurated, first major Community achievement in telematics.

May 30 1980. First British budget rebate agreed.

January 1 1981. Greece joins the Community.

February 23 1982. Greenland opts to leave the Community.

January 25 1983. Common Fisheries Policy established after six years' negotiation.

March 31 1984. Agriculture ministers agree CAP reform measures, *including introduction of milk pro*duction quotas.

April 9 1984. Joint European Torus (JET) established to research nuclear fusion.

June 26 1984. Fontainebleau summit agrees extended British budget compensation.

January 1 1985. First European passports issued.

June 1985. European Commission sets 1992 as target date for completion of a frontier-free internal market.

June 30 1985. Milan summit endorses 1992, and votes for constitutional conference to revise the Treaty of Rome.

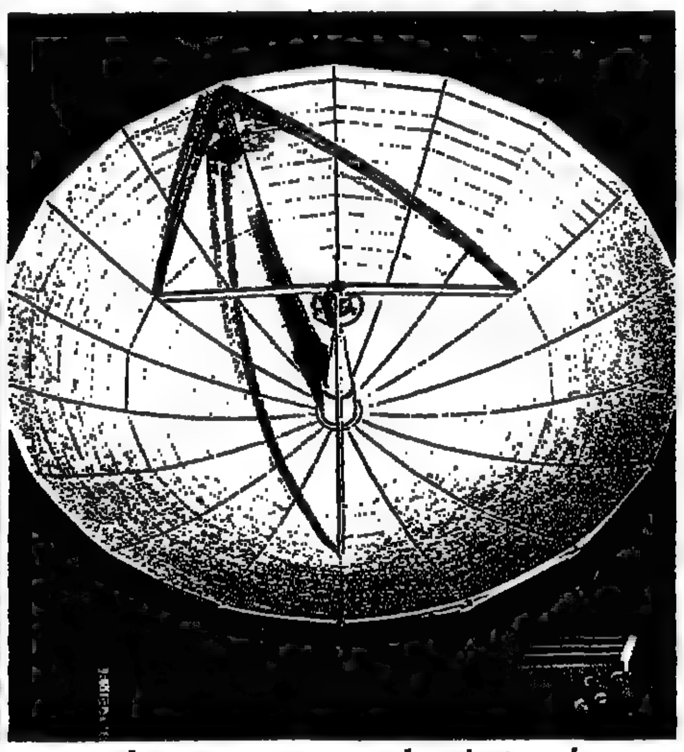
December 4 1985. EEC leaders agree main lines of Single European Act, to streamline decision-making, and institutionalise political co-operation.

January 1 1986. Spain and Portugal join Community. Own resources ceiling raised to 1.4 per cent VAT rate.

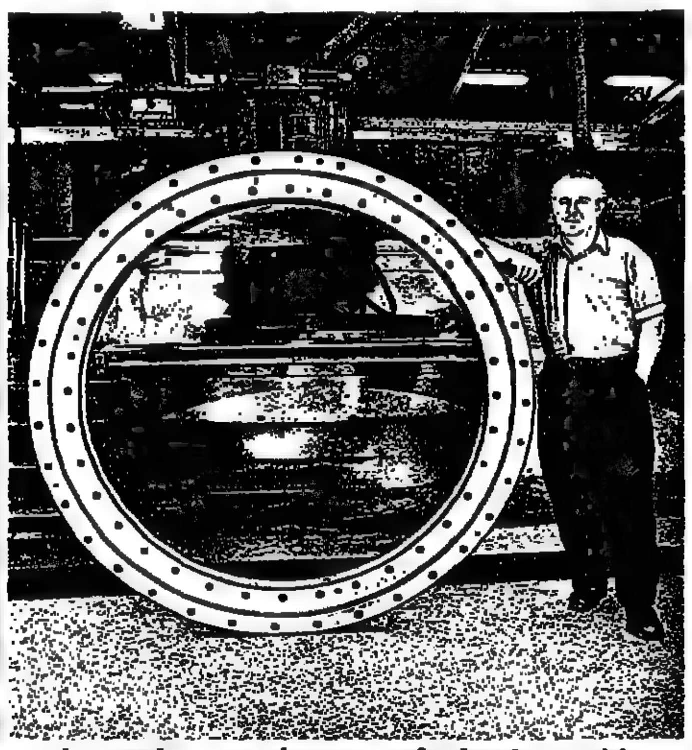
February 18 1987. President Jacques Delors proposes radical overhaul of Community's future finances.

Exploring new frontiers in bearing development.

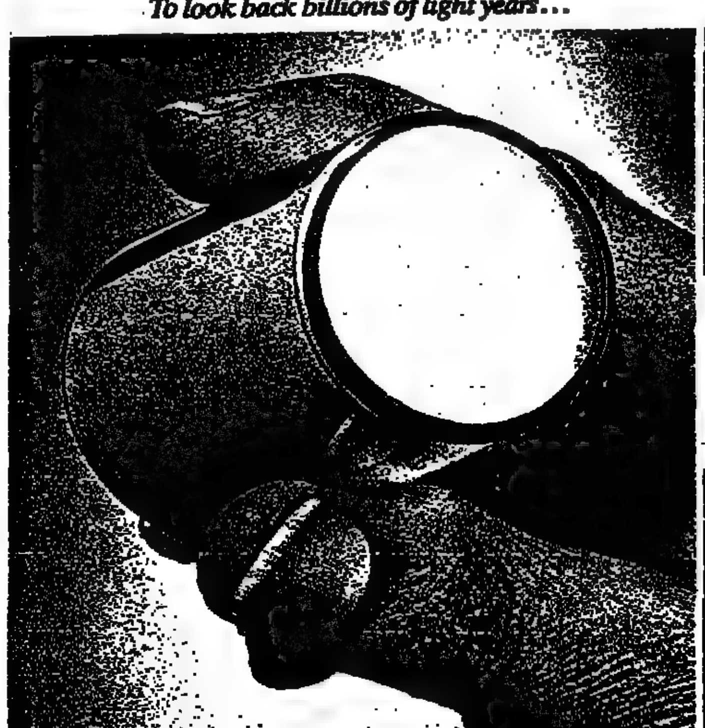
To look back billions of light years...



vast telescopes are manoeuvred to minute angles...



and at speeds so exact that near perfect bearing precision...



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The Single Act

How the pragmatists got their way

GREEN AND white fireworks—the colours of the European federal movement—burst over the medieval battlements of the Castello Sforzesco in Milan on a warm summer's night back in June 1985. Champagne corks popped in the courtyard.

Nearly two years on, and nobody can still be sure whether they were celebrating a victory or a defeat.

The fireworks were ordered by Mr Bettino Craxi, then Italian Prime Minister, and chairman of the EEC summit meeting that day. They marked the decision—divisive and disputed—by the Community leaders to summon a constitutional conference to revise the founding Treaty of Rome.

In an unprecedented move, Mr Craxi called a vote of the heads of state and government, and won the day by seven to three. Mrs Margaret Thatcher, the British Prime Minister, Mr Andreas Papandreou of Greece, and Mr Poul Schluter of Denmark were left in a disgruntled minority.

Any day now—with a cruel irony, probably on April Fool's Day—the results of that decision, the clumsily-named Single European Act, should come into effect. Only then, and only gradually, will it become apparent whether the great labours of the Inter-Governmental Conference summoned by Mr Craxi, and bringing together the brightest and best of European diplomats and officials, have produced a success or a failure.

True believers in something called European Union, particularly in Italy, the Benelux countries, and the European Parliament, see it all as a great disappointment. The Single Act does not dramatically reinforce the powers of the European institutions, nor grant the Parliament powers of co-decision-making, nor remove the ultimate ability of member states to veto majority decisions.

For those who regard the whole European Community experiment as a dangerous exercise undermining national sovereignty through the creation of a clumsy international bureaucracy, the Single Act can none the less be seen as taking another dangerous step down that road. It extends the areas where national interests can normally be outvoted, it increases the influence, if not the power, of the European Parliament, and it reinforces the process of political as opposed to purely economic co-operation.

The truth of the matter is that in the end it was the pragmatists, rather than the idealists, who got their way. Mrs Thatcher was outmanoeuvred in Milan, because she did not want anything so drastic as constitutional reform. Having accepted the inevitable, the British plunged into the conference with greater enthusiasm than most, and succeeded in winning the middle ground, ensuring an outcome, but only a modest one.

Neither France nor West Germany proved to have the courage of their pretended convictions, and so the "Unionist" lobby of Italy and Benelux, along with the Commission, had to abandon their hopes. Denmark, Greece and Ireland swallowed their fears for national sovereignty and bowed to the concensus.

Four main things were accomplished. First, majority voting was extended to most areas involving national barriers to internal trade—the Common Market—except the crucial field of taxation. Exemptions will be allowed on health and environmental grounds, but the target date of 1992 for completion of the frontier-free Common Market was confirmed.

Second, the European Parliament will be more closely involved in decision-making, through a new co-operation procedure, and its opinions will be more difficult for the member states' Council of Ministers to ignore. But the ministers will still keep the ultimate power of decision-making.

Third, new areas of interest have been written into the Treaty, which means that on occasion they too can be acted on by majority voting rather than unanimity: research and development, environmental protection, limited aspects of monetary policy, and a more ambitious regional policy.

Finally, political co-operation in foreign policy—on issues ranging from East-West relations, through human rights and South Africa, to Middle East peace initiatives—will be underpinned with its own secretariat and its own legal status.

The desire to make that extension of Community competence, although still essentially an inter-governmental affair, appear as part of an organic whole is what prompted the title of "Single" Act.

So was the whole exercise worth while? Why the fuss? Was it necessary, or could the Community have simply muddled on regardless? And will it really change the way the system works? Several factors came together in the run-up to Milan to raise the pressure for a thorough-going constitutional reassessment of the Community and its institutions.

The creaking system of decision-making has always been a problem, and inevitably so, with a variety of sovereign states seeking to negotiate away real authority over the whole range of their economic and commercial interests. Marathon ministerial sessions through the night are scarcely conducive to sensible conclusions, but they have become the norm rather than the exception

The progressive enlargements of the Community—from Six to Nine in 1973, with Britain, Denmark and Ireland, from Nine to Ten in 1981 with Greece—made matters worse, especially since the new member states tended to bring in new problems with old policies (like Britain and the Common Agricultural Policy) The prospect of Spanish and Portuguese accession in January 1986, concentrated many minds on the danger of grinding to a complete standstill

The resolution of the British demand, for a reduction in its net budget contribution, at the Fontainebleau summit in 1984, even if only temporary, cleared away the one issue which had help up Community progress on many other fronts for most of a decade. It removed the excuse for inaction

When Mr Jacques Delors and his Commission took office in January 1985, they were looking for inspiration to revive momentum. They found it in the ambition of completing the Common Market by 1992, and defining that as the total removal of all frontiers between the member states, whether physical or fiscal. It would require a rapid increase in the tempo of decision-making.

And then there was pressure from the European Parliament, directly-elected since 1979, but lacking in any real power to respond to that popular mandate. Under the inspiration of Mr Altiero Spinelli, the grand old man of European Union, the MEPs drafted their own proposed new treaty to advance the cause of genuine integration, economic and political.

Finally there was a growing disenchantment with the burden of Community finance going to the Common Agricultural Policy, dominated by "northern" farm products like cereals, beef and butter, and a desire on the part of the new periphery to boost other policies like the regional and social funds. Such "cohesion," they argued, was also needed to moderate the effects of completing the internal market.

To expect that the Single Act can respond to all those varied ambitions is certainly excessive. It may even make matters worse. The co-operation procedure with the Parliament looks ominously cumbersome, providing for a shuttle backwards and forwards before a decision can be finally approved. The Parliament is notoriously incoherent in its decisions, reflecting the conflicting pressures of ideological and national interests often pulling in different directions.

One major change has happened even in advance of the Single Act: majority voting in the Council of Ministers, once the exception to the rule, has become virtually the norm. Officials are always calculating the numbers involved to see if a particular decision can command a "qualified majority," or whether there is an effective "blocking minority" to oppose it. The eternal search for a consensus has become a thing of the past.

A qualified majority in the 12-member Community has been fixed at 54 votes out of a total of 76. The biggest member states command 10 votes apiece, Spain has eight, and the middle-ranking states five each. Denmark and Ireland have three each, and little Luxembourg just two votes.

The problem is that inevitably it is easier to put together a blocking minority alliance, than a qualified majority. Moreover, at either end of the Community's geographical spectrum, coinciding to a degree with its scale of prosperity, there exists a "natural" blocking minority. On matters of budgetary rigour, the UK and West Germany need only one other small member (usually Denmark, the Netherlands or Belgium) to block spending plans.

Nowadays, France is often in the same camp (for example on research spending). Equally, the Mediterranean can block a decision to force the issue with just Italy, Spain and Greece—exactly the 23 votes required.

The danger of such stalemates puts great responsibility on the European Commission to prepare ground for proposed legislation with care. Yet the Commission itself is unwieldy, with 17 members from the 12 member states: the Community leaders failed to agree on the good sense of reducing the number to only one per member state.

With half the Commissioners having too little to do, they are all too open to the temptation to spend their time pursuing national interests, and trying to add or subtract bits and pieces from otherwise coherent proposals.

A considerable degree of tension and mistrust remains between the Commission and the Council of Ministers, and between the Council and the Parliament. Each seems to believe, with a curious institutional psychology, that it has the God-given task of dictating the direction of the Community. The Single Act, even if it appears to be doing no more than tinkering, will change the balance between them, with as yet unpredictable consequences.

Standing like a referee on the sidelines is the European Court of Justice—not to be confused with the European Court of Human Rights in Strasbourg, a body with no connection to the Community. The court, set back aloof in Luxembourg, has become ever more an arbiter of institutional warfare, and its judgments are respected. But it is a role where exclusively juridical and overtly political judgments are hard to disentangle, and the court tends to play safe.

Thus in its judgment in the latest row between Parliament and Council over the 1986 budget, the court simply told the two institutions to do their job: to get together and go on meeting until they could reach an agreement. It was not prepared to say who was in the right.

So it comes back to a delicate and difficult trade-off between 12 member states and three main institutions, a complicated and to many incomprehensible chess game with often very real economic.

In the Single Act, the Twelve have agreed to press ahead with new policies—cohesion, co-operative research, a better environment—in addition to the great aim of a Common Market. But many of them, the ones who will end up paying, are not ready to put their money where their mouth is.

Quentin Peel

How the Votes add up

Belgium	5
Denmark	3
Germany	10
Greece	5
Spain	8
France	10
Ireland	3
Italy	10
Luxembourg	2
Netherlands	5
Portugal	5
UK	10
Total	76
Qualified majority	54
Blocking minority	23

June 1985: Mr Craxi welcomes Mr Mario Soares, the Portuguese Prime Minister, to Milan, where there would presently be champagne and fireworks.

Profile: Jacques Delors says he's learned two lessons as President

'Credibility must be earned daily'

THE JOB of president of the European Commission is a thankless task at the best of times: one which brings with it considerable responsibility, but little real power.

The Commission's role seeks to combine, in what to British eyes at least seems uncomfortable proximity, the political and the administrative: it is very much a political body, while at the same time responsible for the bureaucracy of the European Community. It is charged with playing a major role in the development of the EEC, and yet it commands few battalions in its campaigns with the 12 member states in the Council of Ministers.

Mr Jacques Delors came to the job with a high reputation after an unusually popular stint as finance minister of France, where he was credited with turning round both the French economy, and the Socialist government, after its initial disastrous flirtation with counter-cyclical reflation.

He was not President Mitterrand's first choice for Brussels—that was Claude Cheysson, then foreign minister—but he was acceptable to, indeed enthusiastically accepted by, both Bonn and London.

He came in January, 1985, to a Commission demoralised by a series of bruising encounters with the member states, finding its own proposals all too frequently ignored in favour of ad hoc compromises in the Council of Ministers.

"Since I came here, I have learned two things," he says. "The first is that, contrary to the image I had of it, the Commission is not respected for itself. Every day, it has to pay attention to its credibility.

"I know that I have to earn my credibility each day through the quality of the work I put forward—and not just by saying: I am the Commission, I have the right to initiate proposals, I represent continuity, and you must listen to me.

"I don't says that resentfully, it is just a fact of life."

The second lesson is that the bureaucracy everyone complains about is not so much in the services of the Commission, he says, but the long process of decision-making, and putting decisions into effect.

Delors' idea for reviving the momentum of the Community, and restoring the morale of the Commission, was to set a new target for the original ambition of the member states: to complete the Common Market by 1992. Then he took the idea further, and with the support of Lord Cockfield, his British vice-president, declared that it meant a Community without frontiers—a popular idea which could mean something to everyone.

They make a surprising team to sell their vision: the passionate and rather emotional Frenchman, full of resounding phrases like "creating the foundation for the relaunch of Europe", and the precise and rather ponderous Englishman, who has taken the vision of a "single, great market" and is proceeding to push, bully, cajole and wheedle it into effect with complete single-mindedness and dedication. Neither suffers fools gladly.

Where they may differ is on the other side of the equation: on the emphasis Mr Delors puts on the need for "cohesion" to help the poorer regions of the Community catch up, rather than falling further behind in the growing competition of a single market.

Lord Cockfield sees that as something which follows in the wake of the creation of the Common Market—certainly not a precondition for progress to that end. He believes the poorer southern states, Greece, Spain and Portugal, could well become Europe's sun belt without any intervention from public funds from Brussels.

Mr Delors sees cohesion as a fundamental part of the total package, involving a substantial increase in the activities of the social and regional funds—a doubling over five years, according to his new reform package.

He also has a particular concern for small farmers, and the suffering they could face in too drastic an overhaul of the Common Agricultural Policy. It is a concern which reflects both his own feeling for the ghost villages which litter some parts of the French countryside, and his concern and sympathy for the fears of the West German government, the fiercest defender of keeping the farming families on the land.

Mr Delors has provided an unpredictable mixture of passion and pragmatism in his presidency. He came to Brussels with a clear vision of the macro-economic role the Commission should play in co-ordinating economic policies among the 12. He was determined to see a substantial strengthening and development of the European Monetary System. Then he ran into the entrenched independence of the finance ministries and central banks in the national capitals, and has chosen to soft-pedal rather than confront them. Perhaps he knows them too well.

On other issues he has made a considerable song and dance. His plans for the Single European Act, to incorporate a substantial research and development function for Brussels, had suffered "a Texas chain-saw massacre," he declared in a particularly colourful phrase.

On the night the EEC leaders agreed the package in Luxembourg, he welcomed it as a great step forward, an historic moment — and two days later condemned the deal as too little and too feeble to provide the real basis for the "relaunch."

He fell out badly with Mrs Thatcher on the occasion of the London summit, when she apparently snubbed him by failing to call for his conclusions at the subsequent press conference. He resented being treated as a cabinet secretary, rather than a politician in his own right.

His attitude is frequently that of a preacher, which perhaps owes more than a little to a strong Catholic background, including a long stint as economic adviser to France's Christian trade unions. Out of his "pulpit" he does not socialise easily, obviously preferring the world of ideas and politics to that of small talk.

He remains very much the dominant force in the Commission, but the Francophone influence is less than it used to be. The other leading figures are Cockfield, Henning Christophersen, the Danish budget commissioner, and Frans Andriessen, the Dutch agriculture commissioner.

Delors, or at least his personal staff, are criticised by some for being too responsive to pressures from home — although that is a criticism which could be made against many of the commissioners. With 17 members, the body has become thoroughly unwieldy, and under-employed commissioners are more than usually open to every national lobbyist who passes the Berlaymont.

The 30th anniversary of the Treaty of Rome coincides with a critical moment in the life of the Delors Commission. The package of sweeping budget reform measures has just been placed on the table, and is certain to start a difficult debate. After a good first year — launching the internal market initiative and completing the Spanish and Portuguese negotiations — the second was a poor one.

The third year is likely to be critical to the ultimate reputation of this Commission, and of the future of Mr Delors, with more than half an eye on his return to French politics in 1989.

Quentin Peel

Mr Delors: "I am the Commission . . ."

Foreign policy

Three big reasons why co-operation will increase

IT IS ONE of the more striking paradoxes of the history of European integration, that the main significance of the enterprise was from the beginning essentially political, but that the member states long rigorously excluded political issues from the formal workings of the institutions.

The formation of the world's leading trading bloc, with strong central institutions, was always bound to have considerable foreign policy significance both for the member states and for the rest of the world. Yet, it is only now, 30 years later, that the co-ordination of political aspects of foreign policy has received formal acknowledgement as an institutional component of the European enterprise.

The paradox is, of course, easily explained: in the 1950s and 1960s the member states disagreed profoundly over the political significance that could or should be given to the process of European economic integration, with France long pitted against the other member states.

In 1954 the Gaullists helped defeat the plan for a European Defence Community and a European Political Community, and after he came to power in France in 1958, General de Gaulle made two attempts to sap the supranational potential of the Community, in the Fouchet Plan of 1961-62 and in the Luxembourg crisis of 1965-66.

By the time of General de Gaulle's retirement in 1969, his struggles against the political implications of the European Community had inflicted lasting damage on the enterprise, and had established an ideological model in France which his political heirs were reluctant to disavow.

To be sure, the long-standing French objection to British membership of the Community was soon lifted, but the equally long-standing quarrel over supranationality was not really dissipated for another 15 years—and perhaps it has still not been dissipated.

The process of holding collective consultations on political aspects of foreign policy was launched in 1969, with the Davignon Report, but it was kept entirely separate from the workings of the European Community, and entirely different in character: informal, inter-governmental, lacking any independent institutions, and without the least hint of supranationality or majority voting.

Over the years, these informal arrangements have gradually been strengthened, with the result that foreign policy discussions now take place between the 12 members of the European Community at four different levels: heads of government when they meet at European summits; foreign ministers, who meet at least once a quarter, and more often as required by international events; political directors of the foreign ministries, who meet at least once a month; and expert committees, who meet at least once a quarter.

In addition, there is a constant flow of written information between the 12 foreign ministries; a special telex network handles about 5,000 foreign policy telegrammes each year. And now, as a result of the Single European Act, which was negotiated at the end of 1985, the member states have at last publicly acknowledged the parallelism between political foreign policy co-ordination and the work of the Community, and have set up a (tiny) permanent secretariat, not merely in Brussels, but actually in the building occupied by the Council of Ministers of the European Community.

Opinion on what has actually been achieved by all these years of informal consultation on foreign policy is sharply divided. Apologists for the record claim a number of important achievements: critics argue that the balance sheet is rather feeble, that the meetings of the 12 foreign ministers produces a great deal of talk and little action, and that the acronym frequently used to describe this Political Co-operation (PoCo) describes it only too accurately.

That there have been some positive achievements is not really in doubt; the question is whether the member states could have done better, and whether they are likely to do better in future.

European co-ordination made a crucial contribution to the development of the western position in the Conference on Security and Co-operation in Europe which culminated in the 1975 Helsinki agreement. The 1980 Venice declaration calling for self-determination for the Palestinians, and for Palestinian participation in any Arab-Israel negotiations, was a significant innovation in a field which the Europeans had effectively left to the Americans, even if it did not actually lead to any negotiations. And, the mobilisation of European support for Britain over the Argentine invasion of the Falkland Islands in 1982 was the more remarkable because of the effort it required from some of the member states.

Moreover, there seems little doubt that the priority given by the member states to foreign policy co-ordination has increased in recent years, as reflected in the frequency both of their meetings and of their foreign policy statements. The complete collection of last year's declarations by the Twelve runs to 84 pages, and includes eight statements about the situation in South Africa.

Moreover, while it is true that the most obvious result of the process so far has tended to be wordy declarations, it is not necessarily true that declarations are without significance: in diplomacy, a declaration can be a form of action. But in any case, the action ingredient (in the normal sense of the term) seems to be on the increase. Last year, for example, the Twelve tightened restrictions on both Syria and Libya in the name of the fight against terrorism (though not in time to head off the American bombing raid on Libya), and imposed trade sanctions on South Africa in support of the abolition of apartheid.

Few people will take literally the undertaking of the Twelve, expressed in the Single European Act, "jointly to formulate and implement a European foreign policy"; the formulation smacks too much of the windy rhetoric normally affected by the Community when in ceremonial mode, to be treated entirely seriously.

On the other hand, it seems probable that the momentum towards closer consultation and co-ordination on political and security issues will be maintained and perhaps intensified, if only because the international environment has become less predictable and potentially more unstable.

First, the impetus to think in European terms first became acute with the Euro-missile crisis of 1981-83; those pressures may return in a different form with the prospect of a separate Euro-missile agreement.

Second, President Reagan sent a profound tremor through the alliance with his Star Wars programme, which threatened to upset the East-West nuclear balance; he sent an even more violent tremor, with the virtual conclusion at the Reykjavik summit of arms control agreements which could have had very unsettling effects on Europe's security.

Third, after the immobility of the long Brezhnev years, the world faces a dynamic and restless Soviet leader who manifestly does not intend to leave the world as he found it in any material respect. No-one can assume that his intentions are benign; but Europe must assume that he will take initiatives which will demand a response; it cannot assume that an American response will necessarily put Europe's interests first.

The existing mechanisms for dealing with Europe's foreign policy interests, whether through consultations between the Twelve or in the more limited forum of Western European Union, seem to amateurish and improvisatory if the task is to be taken seriously. If they were to take it seriously, however, all these years of pragmatic consultation would give the Twelve a solid basis for a new move forward.

Ian Davidson

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FT writers appraise the attitudes of smaller member-countries

Brussels—a seat of Europe's institutions.

Benelux

Strong ideal of unity

EARLIER THIS year, Flemish-speaking Christian Democrats astonished observers at their annual conference by passing a motion which outlined the long-term future of Flanders in the context of a federal Europe.

Their implication that Belgium is a transitional, or even artificial, alliance of two separate peoples probably owed much to the passions aroused at the time by the country's bitter language dispute. But the motion also illustrated the strong sense of attachment in this part of the Community to the ideal of a united Europe.

The same solidarity characterises the Dutch and Luxembourg people, whose customs bloc with the Belgians was foreshadowed in the September 1945 Treaty of London, but did not get off the ground fully until after the November 1960 signing of the Benelux Economic Union. Indeed, it is the Dutch who, according to the most recent poll, appear to be the strongest champions throughout the Community of 12, with 84 per cent of those interviewed in favour of the "EEC cause" and 59 per cent in favour of more majority voting, and hence speedier decision-making, in the Council of Ministers.

The European Community gives small member states like Belgium, the Netherlands and Luxembourg a disproportionately loud voice, relative to their size, on the international stage. This is especially so during a six-month spell as President of the Council of Ministers as Mr Leo Tindemanns, for example, relishing the attention and prestige at home of initiatives in the field of foreign affairs, is currently finding out. Over the years the Dutch appear almost to have monopolised the key position of EEC Agriculture Commissioner, being able to claim the original architect of the CAP Mr Sicco Mansholt, the 1973-77 incumbent Mr Lardinois, and the present occupant Mr Frans Andriessen.

Hosting EEC institutions, of course, confers further political and economic privileges. Brussels, besides being well-known as the home of the European Commission, part of the European Parliament and part of the Council of Ministers, has 133 diplomatic missions, 2,000 individual diplomats and at least as many as that in extra support staff. Its attraction as a centre for multinational businesses is not quite what it was in the heady days of the 1960s, but the number of international corporate headquaters is nevertheless impressive.

Luxembourg's dependence is considerably greater—it has the Court of Auditors, the European Court of Justice, the European Investment Bank and the Council of Ministers three times a year, as well as some Commission and Parliament staff. Moreover, recent suggestions that the parliamentary presence should be shifted to Strasbourg have been fiercely resisted.

"People frankly have been very hurt at the idea," one Luxembourger based in Brussels said recently. "We made a lot of effort to accommodate the institutions in the early days, and they are now of considerable economic, as well as political, significance."

The fact that all the Benelux countries are inextricably part of the wider European economic market place is highly significant. In Belgium exports represent 70 per cent of the country's gross national product—many companies are either subsidiaries of, or sub-contractors to, larger concerns beyond its borders, with the result that they prosper when the EEC—and notably West Germany—does well. German kitchens may have well-known brand names, but it is not widely appreciated that the doors are made in Belgium.

Promotion of a free internal market is equally vital for the Netherlands, where exports represent 60 per cent of national income, of which 72 per cent goes to other EEC countries. Of that 72 per cent, worth Fl 80bn, 35 per cent goes to West Germany, while overall the country's trade surplus with the Community is around Fl 50 bn (based on 1985 figures).

The idea that all three members of the Benelux Union are irreproachable, misty-eyed enthusiasts for the Community ideal would be wrong. Despite its pro-European rhetoric, for example, Belgium has a poor record for sticking to the Commission's timetable for implementing EEC directives (partly because of its complex system of regional government), and has consistently propped up its steel industry with state aids which far exceed Community guidelines.

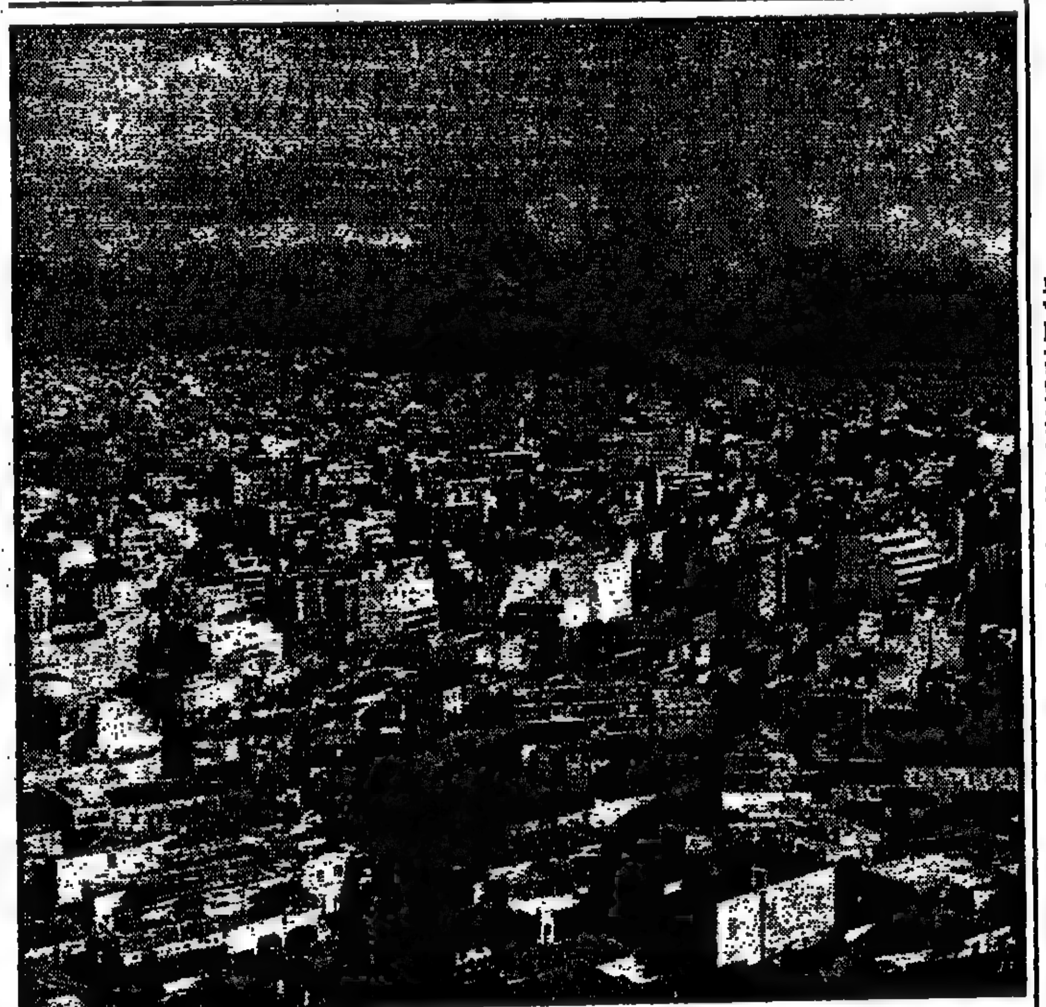
For all the openness of the Dutch, the initial reaction of the country's Finance Minister, Mr Ruding to Mr Jacques Delors' new plan for contributing to the EEC budget was to highlight the fact that, under the new system, the Netherlands would pay more. Although this initially somewhat chauvinistic response has since been toned down, discussions over future financing could prove a key test of Dutch commitment.

Some Luxembourgers see a threat to their country's fiscal privileges in Brussels' moves to push ahead with the harmonisation of indirect taxes throughout the Community.

Mr Wilfred Martens, the Belgian Prime Minister, said in a speech last month that "the Benelux Union is, in my opinion, still very often the pioneer and promoter of moves towards a more integrated Europe."

The close co-operation of the three members ahead of Councils and summits—and the tendency to vote together on most though, not all—issues—bear witness to the significance of such a role. Perhaps the major question for the future, however, is how loud this voice will be heard in the bigger Europe increasingly preoccupied with the demands of the southern and Mediterranean states.

Tim Dickson



Athens—wind of federation blows.

Greece

A champion of reforms

GREECE'S SOCIALIST government came to power 10 months after the country's accession to the European community on January 1, 1981, on a platform of EEC withdrawal in favour of greater national autonomy in decision-making.

Today, not only is there no question of a Greek pull-out from the community, but the Socialist administration in Athens sees itself as a budding champion of reforms towards European union advanced by the European Single Act.

"The turning point came with the inter-governmental conference on the Single Act in 1985. Now a new wind of European federalism is starting to blow in Athens," one Greek official said.

A number of developments have contributed to the Greek change of heart. One was the approval of the Ecu 6.6bn seven-year Integrated Mediterranean Programmes (IMPs) scheme, aimed at compensating southern EEC countries for Spanish and Portuguese accession, of which Greece is the major beneficiary.

A second important development was Greece's use of Article 108 of the Treaty of Rome at the end of 1985, to secure a two-tranche Ecu 1.75bn EEC support loan to tide the country over its balance-of-payments crisis.

Not least, Athens has come to perceive that EEC membership is perhaps the most effective political tool at its disposal for use against its rival Turkey.

Greek objections, on the grounds of the restriction of Greek citizens' property rights in Istanbul and Turkey's continuing military occupation of part of Cyprus, barred efforts last year for a revival of the 1963 Turkey EEC Association Treaty. Athens has said it will veto any application for full EEC membership by Ankara.

Greek officials link the issue of Turkey to Athens' strong support of reinforced political co-operation within the EEC, which the Greeks would like to extend to cover all security and defence issues. Greece has sought for the past five-and-a-half years, so far without success, a generally-worded Nato guarantee against what it perceives to be a Turkish military threat in the east. The Greek prime minister has, in the past, suggested that Greece might transfer to the EEC its efforts to secure such a guarantee.

The Greek Government's current philosophy on the Community is set out in a January 1987 foreign ministry paper, according to which "Greece views the European Community as an economic and political entity advancing towards European union on the basis of two fundamental principles: Community solidarity, and equal participation of all member countries in all processes and activities leading to integration."

The paper endorses a strengthening of the role of the European Parliament and Commission.

At the same time, it regards as "imperative" the elimination of regional inequalities in living standards and levels of development within the EEC, and stresses the need to ensure the necessary financial resources to finance policies and instruments geared towards achieving convergence.

"In 1975 the Greek per-capita income represented 58 per cent of the Community average, and in 1987 53 per cent," said one Greek official. "It is this sort of drastic gap that the EEC must address."

According to the paper, the Common Agricultural Policy (CAP) "is the foundation of the Community edifice, and should therefore continue functioning according to the goals of the EEC treaty." It is recognised, however, that reforms are urgently needed to tackle surpluses, increased costs, and external trade problems. In the Greek view, these reforms should also boost support for small farmers and equalise agricultural incomes in the north and south of the Community.

Adriana Ierodiaconou

Spain and Portugal

Firmly behind the Community

BOTH SPAIN and Portugal were motivated primarily by political reasons in joining the EEC. With this perspective in mind—less materialistic than that of the British 13 years earlier—it is not to be wondered at that most people in the Iberian peninsula and dependent islands, a year and a bit after entry, still consider being in Europe to be A Good Thing.

Despite rumblings of discontent in both countries among industrialists, accustomed to a paternalistic environment, and farmers, a recent Gallup poll found 66 per cent of Spaniards and 67 per cent of Portuguese solidly in favour of the Community.

But there, the two most recent members' experience of life in the EEC begins to diverge. Oddly, the more positive judgment comes from Portugal, which was unlike Spain in having an anti-EEC lobby prior to entry—in particular, the Moscow-line Communist Party and part of the business establishment which thought that Western Europe's poorest country was in no fit state to join. According to the opinion poll, 60 per cent felt Portugal had already benefitted from membership. The figure for Spain, in contrast, was only 20 per cent.

This rather muted assessment is to some extent echoed at government level. Spain's Socialist administration, which, without any of Portugal's small-nation reservations, threw its weight wholeheartedly behind every pan-European aim, has been disappointed with the realities of political co-operation in the Community.

Economically, however, both countries have cause for some satisfaction, or at least relief. The worst has not happened. Value-added tax has been introduced with surprisingly little trouble. Inflation did not go down in Spain last year, but did not take off either, holding at just over 8 per cent, and it has since dropped. In Portugal it continued to come down to 10.6 per cent in the year to December and is expected to be in single figures this year. Contrary to some forecasts, neither country became a net EEC contributor in its first year, with Portugal in surplus to the tune of more than Ecu 200m.

In both countries, entry coincided with a period of renewed growth, rising current account surpluses, revived investment, increased purchasing power and expanding consumption—helping to sugar the pill and enabling local producers to increase their own output despite the flood of extra EEC imports.

However, both lost their trade surplus against the remainder of the Community. In Portugal's case this surplus had only been a very narrow one in 1985. For Spain, which had bigger barriers against EEC imports, the change was more dramatic. With the first slice taken off entry tariffs, and with exporters losing their valuable tax incentive, a Pta 280bn surplus turned into a Pta 164bn deficit—a swing of more than US$3bn. West Germany leapt ahead of the US (and, thanks to oil price cuts, ahead of Opec) to become Spain's main supplier. Overall Spanish trade outside the energy sector, which up to last year was in surplus, is henceforth in the red.

Although the trade loss was offset by a steep rise in investment from the EEC, employers are worried by deteriorating Spanish competitivity, especially now that the country is coming up to the biggest annual tariff cuts in its seven-year transition schedule. The CEOE employers' federation claims Spain still has a 30 per cent lag in productivity compared with the EEC average. A slight depreciation of the peseta last year failed to make up a widening inflation gap.

Combined with a series of farmers' grievances, these complaints have begun to form a body of right-wing opinion highly critical of Spain's EEC terms. Former centrist prime minister Mr Adolfo Suarez, the man who lodged Spain's EEC application 10 years ago, recently sowed a dangerous seed by bringing up for the first time the idea of renegotiation.

The Portuguese appear to be counting on criticism being offset by the visible impact of EEC funds, especially on essential infrastructure projects. Portugal negotiated with these funds foremost in its mind, and has since concentrated its efforts on utilising them. While its farms, employing 23 per cent of the active population, present major problems of adaptation, there has been a sharp rise in investment in agriculture and fisheries, particularly in processing, since entry.

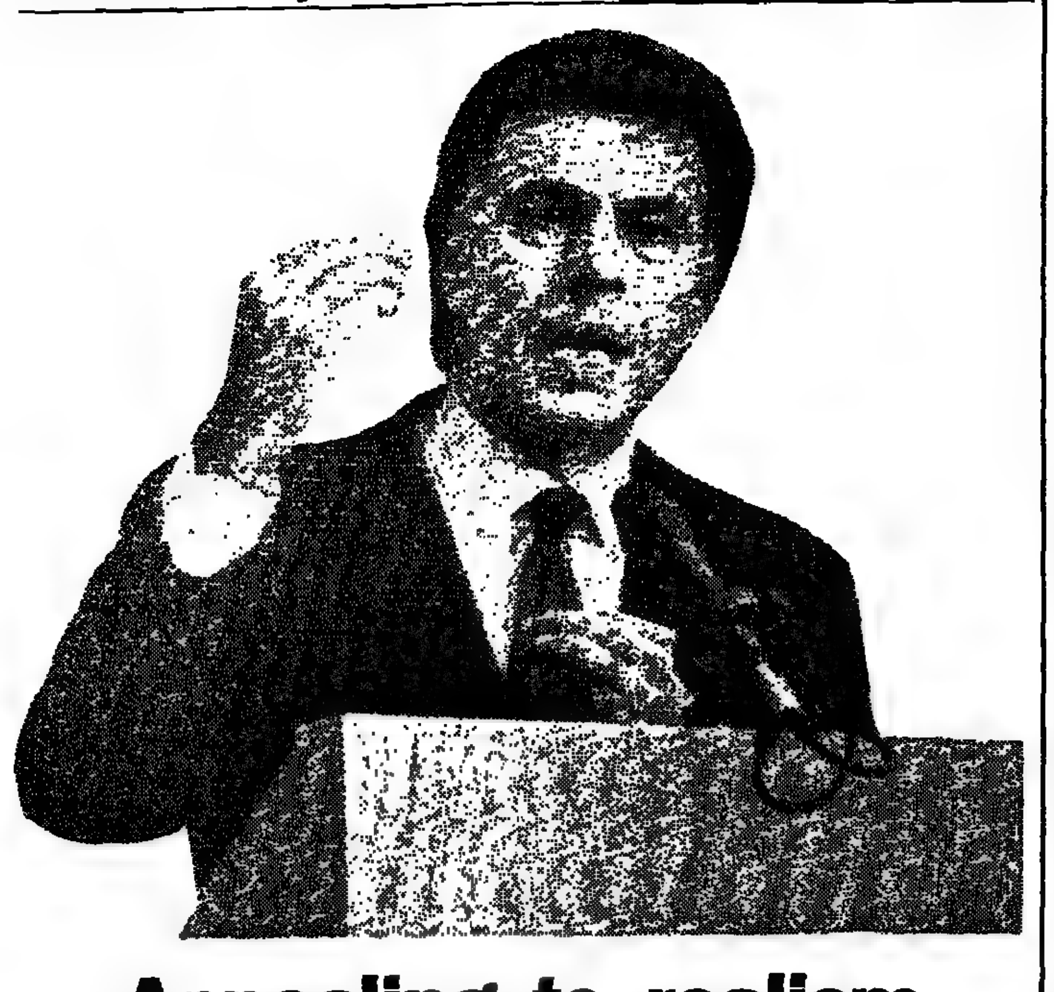
While foreign capital has been relatively cautious, the centre-right government claims that neither its running of the economy nor Portugal's precious relations with its former African territories have been disturbed by EEC accession.

Some problems left over at the time of entry have meanwhile been settled to Lisbon's satisfaction—among them, rules of origin for exports to Spain, and access for Portuguese textiles in the rest of the community. Portugal's imports have risen, but so have exports, including to non-EEC countries. The overall trade deficit last year was down.

The feared invasion from the Spanish neighbour has come in the form of a 43.5 per cent rise in imports last year. But, while bilateral trade remains heavily in Spain's favour, Portugal managed to counter with a 57 per cent increase in the other direction. The fastest change since the 1986 enlargement is the move towards integration of the two Iberian economies, like two strangers who accidentally find themselves at the same end of the bar in the same club.

David White

In Spain, the Socialist administration of Mr Felipe Gonzalez has jettisoned much ideological baggage



Appealing to realism

FOUR AND A quarter years makes Mr Felipe Gonzalez's Socialist administration the longest-serving elected government Spain has ever had. That says as much for the history of Spain—this century it has spent slightly more time under dictators than under democratic rule—as it does for Mr Gonzalez.

The odd thing perhaps is that this unaccustomed stability should come under the Socialists, who had never ruled before except as coalition partners in the unruly period which precipitated Spain into its 1936-39 civil war.

In "Felipe" the socialists found what post-Franco Spain evidently wanted, someone representing a new generation which was not mixed up with the past. Taking his party out of clandestinity into the Spain's new parliamentary system, Mr Gonzalez had jettisoned much of its ideological baggage. His carefully-groomed, youthful but responsible image carried the 10m votes which swept him into office at the age of 40 as Spain's youngest-ever prime minister.

His image alone can be seen as a major factor in the way Spain has cemented the Socialists in power and put aside any lingering doubt about the safety of democracy. A man whose forte is explaining, more than putting forward new ideas, he comes across as straightforward, articulate and serious. Some of his conservative opponents say he has proved a better prime minister than they expected.

A largely technocratic government has pressed ahead with measures to liberalise the economy which, in the words of a senior foreign banker in Madrid, "a right-wing administration with all its vested interests, could probably not have carried out."

But the constant appeal to realism, at the cost of traditional left-wing demands, has lost Mr Gonzalez a lot of the popular enthusiasm that accompanied his sudden rise to power. Perhaps the transformation from the table-thumping, open-shirted "Felipe" to the dapper, heavy-jowled "presidente" (the prime minister's official title) has been too rapid.

Spain's new right-wing opposition leader Mr Antonio Hernandez Mancha, nine years younger than Mr Gonzalez, accuses the prime minister of "having nothing more to say."

The left and the young are largely disenchanted with the "change" promised by the Socialists four years ago. Mr Gonzalez, just turned 45, is widely seen as an aloof and distant tenant of the Moncloa palace outside Madrid, suffering the same "moncloa syndrome" that Mr Adolfo Suarez, the former centrist premier, used to be accused of.

This last Christmas, the rage was a series of plastic figurines of politicians—the "moncils"—designed by Gallego and Rey, the country's top cartoonist team. Mr Gonzalez, with long nose and thick lips, was portrayed as a Roman emperor, playing a lyre.

Andalucia did indeed produce its Roman emperors but not from backgrounds like Mr Gonzalez's. Son of a small dairy farmer who had settled in the outskirts of Seville, he was the only one of his family to study at university, graduating in law and becoming a labour counsel. His association with the Socialist party started in his early 20s, after activity in Catholic youth movements. As leader of the Seville branch's campaign to break the hold which civil war exiles still had on the party, he became known as "El Moro"—the moor.

The party later substituted the less derogatory pseudonym of Isidoro, after one of Seville's patron saints, and it was under that name that he won the party leadership at its congress at Suresnes, outside Paris, in 1974.

The support given to the young secretary-general by Mr Willy Brant, the West German social democrat leader, clearly influenced his political approach, which steered away from the more radical programmes of the French Socialists, who had provided their Spanish counterparts with their base in exile. In 1979, Mr Gonzalez took a calculated gamble, refusing to stand for re-election while the party continued to describe itself as Marxist. At an extraordinary party conference four months later, he was triumphantly voted back in—and has since been without even the shadow of a challenge as leader.

Guided by an acute sense of history, Mr Gonzalez has sought both to avoid the impulsive tendencies which got the left into trouble in the 1930s and to rid the country of the demons of the past. Two summers ago he went as far as to holiday on General Franco's former yacht, a would-be gesture of reconciliation that backfired badly against him.

With little taste for playing to the crowd, he keeps to his family, close friends and vegetable garden in the Moncloa, where he has had his own entertainment corner fitted out, a long vault of exposed brick, with few ornaments, where he can still take his tie off and share out the cigars he receives from President Castro.

Some observers see Mr Gonzalez now entering his most difficult patch, with this year's student and labour problems and with unresolved foreign policy issues, including that of Spain's US bases, building up. But his roughest ride was certainly last spring's referendum on continued membership of NATO. After opposing Spain's joining the alliance, he had promised the referendum in the 1982 election, when he was already far from keen to have to pull Spain out. Having swung a reluctant party around to accepting Nato, he sweated to the last minute over the result. From this needless tangle, which almost proved to be a fatal mistake, he succeeded in extricating himself—but not without cost to own popular image.

David White

Defence

Interests distinct from those of US

EUROPE HAS probably done more in the past three years to define, if not achieve, a common defence identity for itself than in the previous 30 years.

It was in 1954 that the ambitious plan for a supra-national Europe Defence Community failed. Three decades followed of sidelong and sporadic searching for an institutional (mainly EEC) approach to European security.

Only in 1984 was the issue tackled frontally again, with the twin track decision of that year to breathe fresh life into two organisations overtly concerned with European defence and arms procurement policies—the Western European Union (WEU) and the Independent European Programme Group (IEPG).

A steady succession of events has heightened the Europeans' awareness that they share certain common security interests that are distinct from those of their major ally, the US. First, the Reagan Administration's attempt to impose economic sanctions on Moscow in the wake of the invasion of Afghanistan and martial law in Poland, and Western Europe's unwillingness to follow this move, showed the US and Europe put a different perspective, and price, on relations with the Soviet Union.

Second, the new "get tough" US policy in Libya, Nicaragua and other parts of the Third World, has brought little support and much criticism from Western Europe. European confidence in Washington's ability to manage regional crises has not been exactly raised by the absence of any recent US peace initiative in the Arab-Israeli dispute and by the extraordinary sale of arms to Iran.

Third, the US gave Europe, or at least some Europeans, a bad arms control fright at the Reykjavik summit. The latter worry that President Reagan is, whatever he says, in the process of de-coupling the US from the defence of Western Europe with research into a Star Wars defensive shield mainly aimed at covering the continental US and with his associated Reykjavik proposal to abolish ballistic nuclear missiles within 10 years.

Fourth, calls are once again being made in the US for at least a partial pull-out of the 326,000 US troops in Europe. Such calls may get a hearing not so much with the administration, but with a Congress more sensitised than ever by the size of the US trade deficit to arguments that allies are not shouldering their fair share of the alliance defence burden.

Whether the US will ever get its allies to do more among themselves by threatening to do less itself is moot. But it is certainly getting them to talk more among themselves.

The talk is very disparate. Virtually all European governments, or certainly defence ministers, have qualms about the impending US-Soviet deal to pull all medium range missiles out of Europe, though only the French minister, Mr Andre Giraud, is bluntly resistant to the idea. Dr David Owen, the UK Social Democrat leader, wants Britain to cancel Trident and buy submarine-launched missiles from France, or co-produce US-designed Cruise missiles with other European countries.

Britain, however, has little part to play in repeated calls by Mr Helmut Schmidt, the former German chancellor, for a greater European defence effort, taking the form of his country providing more conventional forces, and France providing a nuclear guarantee, for the whole continent.

Perhaps the nearest thing to the outline of a common European defence policy came in a speech made by Mr Jacques Chirac, the French prime minister, last December to the parliamentary assembly of WEU, the organisation created in 1948 and enlarged in 1954 to group Britain, France, the Benelux countries, West Germany and Italy. Mr Chirac proposed "a West European charter of security principles": reliance on nuclear deterrence; deterrent policies geared to conventional and chemical as well as nuclear threats from the East; continued "presence of US conventional and nuclear forces on our continent"; and "realistic and verifiable" arms reduction agreements.

Mr Chirac's "principles" were unexceptional. They were closely foreshadowed by what Prime Minister Margaret Thatcher and President Reagan agreed in November at Camp David and were followed by a very similar statement by Nato foreign ministers. But they clearly signalled France's intention to join the centre of the European security debate, and to do so through the WEU.

This was logical. One of the, perhaps the major, advantages of WEU is that it has as a member France, which despite its increasing close working links with the Nato military, still lies formally outside Nato's integrated military structure.

WEU has had a largely somnolent past. It has performed some useful functions, such as providing the means for integrating West Germany and Italy into the Western alliance, for maintaining (until 1984) a check on certain aspects of German re-armament, and for ensuring political consultations between the original EEC Six and Britain (until it entered the EEC in 1973). But it might have withered right away, had the EEC found some agreed way of acquiring a security dimension.

Britain tried, during its 1981 council presidency, to give EEC political co-operation a security aspect. So did the Genscher-Colombo initiative a couple of years later. Certain EEC Commissioners, like Viscount Etienne Davignon, tried to subsume defence into EEC industrial policy.

Essentially, these efforts failed because three EEC members—Ireland due to its neutrality, and Greece and Denmark due to their ambivalence about the alliance of which they are members—decreed they should fail.

"It is the accumulation of failures or half-failures by the EEC to work truly in concert in the realm of security that essentially prompted revival of WEU," says Mr Alfred Cahen, the ebullient Belgian secretary general of WEU.

Since 1984 WEU has stepped up its activities, creating working groups on such issues as Star Wars research policy, arms control, Mediterranean security and bringing (since 1985) defence ministers into its deliberations. This year could in fact be the chrysalis period for WEU to turn from caterpillar into butterfly.

Ministers of the Seven member countries have set themselves until the end of this year to decide precisely what future the revived WEU should have. If it has a future, and it certainly seems to, then issues must be resolved of money, organisation (which is geographically split between Paris and London) and membership (which could be safely enlarged to take Spain and Portugal, but might be undermined if Greece and Turkey were to come in and bring their quarrels with them).

The other organisation undergoing political re-launch is the IEPG. Created in 1975 by the European members of Nato it was revived in 1984, largely by Mr Michael Heseltine, the then UK defence secretary, with strong Dutch support. Financial constraints, the prospect of future Japanese competition in defence, and worries about Europe lagging behind, were among the motives for closer arms collaboration.

In sharp contrast to the first decade of its existence in which IEPG nations were unable to agree on a single "staff target" and therefore on any specific programme, the IEPG has agreed on 10 staff targets in the past two years. The two most important concern medium range surface to air missiles and short range anti-armour weapons.

But if it is to act as the catalyst for the creation of a treaty European defence industry, then the IEPG has soon to translate some of these common European staff targets into common programmes. It probably also has to take a positive view of a new report commissioned by the IEPG nations and chaired by Mr Henk Vredeling, the former Dutch defence minister and EEC commissioner.

The importance of this report is that it goes beyond the usual scope of collaborative efforts which focus on particular weapons to argue that broader steps should be taken to try to create a common European market in military products, just as the EEC has sought to create in civil products. Governments can achieve this, the Vredeling report suggests, by the way they let defence contracts.

For instance, more collaborative arms contracts should be let on the basis of fixed price competitive tenders by rival international consortia. It recommends that a central register of bidding opportunities be established to inform companies of tenders beyond their home base, and all 13 IEPG countries establish a register of their defence contractors, to help companies pick foreign partners.

This would fill the gap left in the Treaty of Rome which exempts armaments from EEC rules, and in particular from the requirement for Community-wide advertisement of major national public sector procurement contracts. Indeed, it is striking the degree to which the former Dutch commissioner to the EEC and his IEPG study team have tried to translate EEC internal market mechanisms to the defence field. By the same logic, Mr Heseltine recently opined that the IEPG should become part of the EEC Commission.

Officials of both WEU and IEPG are, however, mindful of their need not to alienate the US. Both organisations argue they are complementary to and in no way substitutes for, what the US brings to the alliance through Nato.

Managing the transatlantic relationship is made no easier by the natural schizophrenia that the US feels towards European unity. On the one hand, it is all for it, on the grounds that a stronger Europe means a stronger west. On the other hand, US governments and companies tend to cry foul if and when their interests suffer.

The happy medium is hard to strike. One can only hope Henry Kissinger was right in arguing that "Europe analysing its security needs in a responsible manner would be bound to find association with the US essential."

David Buchan

The Reykjavik summit: some Europeans got a bad fright

Profile/Lord Carrington

'Why we need an identity'

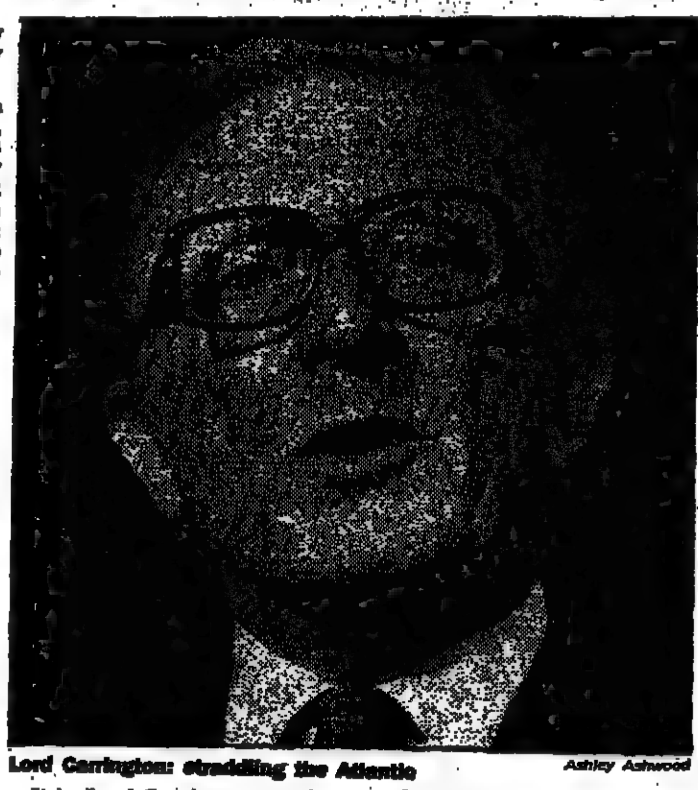
A EUROPEAN defence identity would help Europeans identify with defence.

That sounds like a prize tautology, but Lord Carrington, one of the canniest politicians to hold the job of Nato secretary general, explains the insight behind it. "If we could create some kind of a European identity, I believe it would be easier to get people to understand the need for defence."

He is impressed by the "cohesion and consensus" around French defence policy which he attributes largely to France having left Nato's integrated military structure. To the Frenchman in the street, defence is the defence of France, while too often for the rest of Nato is a contribution to some abstracted alliance which seems to have little to do with national survival.

But, ever conscious that as secretary general he must straddle both sides of the Atlantic, Lord Carrington stresses "the overriding fact that if we do anything to weaken the transatlantic link we do more harm than good." He has been in the Nato post since mid-1984, a period that has seen both transatlantic divergences over such issues as Star Wars research policy and greater European defence collaborative efforts in the organisations of Western European Union (WEU) and the Independent European Programme Group (IEPG).

However, this former British foreign secretary diplomatically points out the dangers of leading Americans "to suppose they are no longer needed I Europe" and of the Europeans forming "a club within a club that could alter the whole processes of consultation within Nato."



Lord Carrington: straddling the Atlantic — Ashley Ashwood

It is, Lord Carrington emphasises, much more important to overcome US-European differences than to use those differences to create a European defence identify.

As the nucleus for a European defence "identity," Lord Carrigton believes that WEU, despite embracing only half of Nato's 14 European members, is the organisation with the fewest disadvantages, and two distinct advantges.

First, WEU allows foreign and defence ministers (both jobs which Lord Carrington has hed) to sit down together, which cannot be done in Nato because of France's self-exclusion from the alliance military structure. It would be even better if finance ministers were also to join in, Lord Carrington says.

Second, all European countries with major defence industries, Spain excepted, belong to WEU. Thus, it can give a needed political push to European arms collaboration and the work of the IEPG. This is an area about which Lord Carrington, as former chairman of GEC, the major UK defence contractor, is enthusiastic.

David Buchan

Profile/Giulio Andreotti

More European than their governments

AMONG ALL the men and women currently in government in the European Community, there is none with the depth of political experience of Giulio Andreotti, and precious few with his vaulting commitment to a unified Europe.

In recent times he has had the opportunity to try to push the faltering process a little further forward. As foreign minister in 1985 when Italy held the presidency of the EEC Council of Ministers, he performed prodigious feats of stamina and concentration in shepherding the final rounds of the enlargement negotiations towards a successful conclusion.

The 69-year-old Andreotti was said to have been a powerful influence on prime minister Bettino Craxi's chairmanship of the Milan summit of that year. Although heads of government had never previously voted, Mr Craxi required them to do so on the issue of holding a conference to revise the Treaty of Rome. The majority will was that the 10 plus Spain and Portugal should move to the Luxembourg negotiation of that year.

One of the few people who was publicly disgusted by the outcome of Luxembourg was Mr Andreotti. The Single Act's limited application of majority voting, its preoccupation with the internal market, and its modest development of political co-operation were all of little consequence to Mr Andreotti.

"The Community cannot be a free trade area, with the addition of a bit of political co-operation," he complained to the Italian parliament. "It must achieve growing integration and greater equality of life between all of its member countries."

Clearly, Mr Andreotti's convictions on the ultimate desirability of European Union are sincerely held. He has repeated them on many occasions over the years and there is no particular reason for him to change his ideals. What is curious, however, is how little public understanding he displays for those who are less ideological about the Community's ultimate destination or who are altogether hostile to the ideas of political unity.

Mr Andreotti appears convinced that the sceptics and opponents of political union such as Britain's Mrs Thatcher and Denmark's Mr Poul Schluter are misrepresenting the "true" feeling of their populations.

"I am convinced that people are more European, even if they do not know it, than their governments," he said in the same speech to the Italian parliament.

He draws some support from opinion polls which reveal that 76 per cent of respondents around the Community are "in favour" of European union.

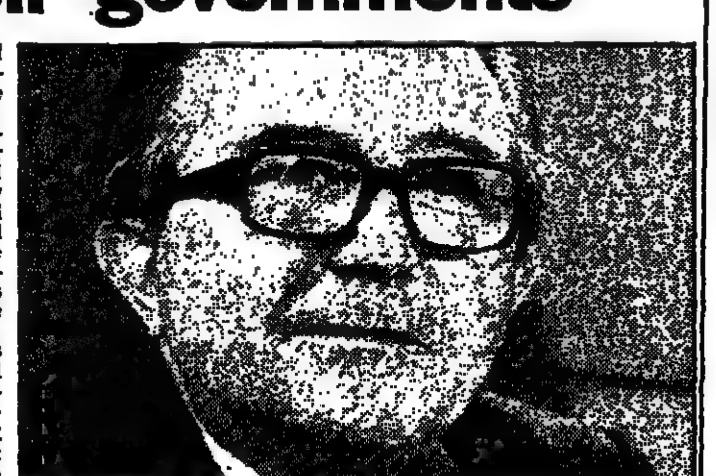
Europe is one of the few subjects about which Mr Andreotti allows himself a public statement of ideals. His enthusiasm may derive from the formative experience of his life which was his youthful friendship with the Italian elder statesman and founder of the post-war Christian Democrat Party, Mr Alcide de Gasperi.

When de Gasperi was the Italian Republic's first post-war Prime Minister, Mr Andreotti served as his under-secretary for seven years. He witnessed the formation of the coal and steel community and the negotiations on a defence community, adopting in the process de Gasperi's enthusiasm for the European idea.

More generally, Andreotti has been, through his long political life, a quintessential pragmatist. No one could be as intellectually clever as he is without being interested in ideas, but few intellectuals are so apparently lacking in firm beliefs.

These may have been shed over the years as Andreotti devoted himself to the pursuit, the exercise and the witness of political power. At the time of writing, he is currently hoping to sculpt a coalition which would enable him to take over from Mr Craxi as Prime Minister—a post he has held five times before but for which his longing is almost tangible.

He has also held every other high office worth having, from finance to defence to foreign affairs. His is an almost unique political career, having sat in government almost continuously for 40 years. His laconic, ironic observations have filled diaries and magazine columns and his less publishable notes are said to be a source of considerable influence over his colleagues.



Mr Andreotti: encouraged by the polls — Ashley Ashwood

The character of this reasonably tall but stooped man whose neck appears to have been screwed into his shoulders is remarkably elusive for one in public life so long. His cleverness and powder-dry sense of humour make him immensely popular with the Italian people. His closeness to the Catholic church helps his standing with believers but is no obstacle with the unbelieving laity.

He was "Teflon-coated" long before Ronald Reagan. Possibly no other politician could have survived the repeated odours of scandal which have surrounded him for more than 20 years—and probably no other country would have allowed him to. He has seemingly always managed to shrug off as the work of his enemies accusations of corruption, magisterial and parliamentary inquiries into his conduct and suspicions of guilt by association with Mafia circles or the late convicted Sicilian embezzler, Michele Sindona.

He is a man of ice-cold nerves, iron restraint and a genius for compromise for which the Italian political system offers a most perfect outlet. As Foreign Minister since August 1983, he has won a great deal of respect and authority abroad. For the foreseeable future, however, he has returned to his true metier as one of the great mediators of Italian politics.

John Wyles

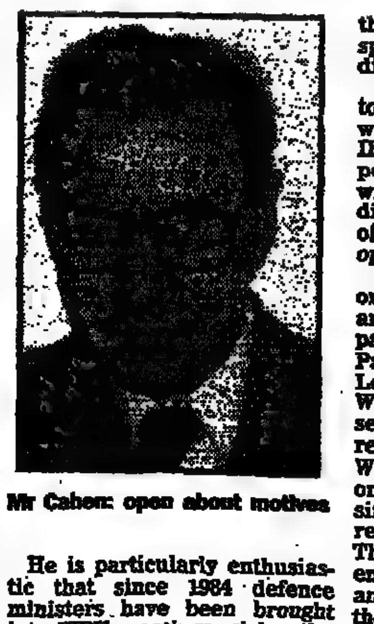
Profile/Alfred Cahen

Seeing WEU off the ground

SOMETIME THIS year, and maybe even at their Luxembourg meeting next month, ministers of the seven member countries of Western European Union (WEU) will pronounce on whether WEU, revived in 1984, is really a "flier" for the long haul.

If they do decide that WEU has at last got off the ground, then much of the credit will go to Mr Alfred Cahen, the energetic Belgian diplomat who in 1985 became WEU secretary general, a job at one time thought of as a sinecure.

Mr Cahen is open about the various motives for reviving WEU: differences of opinion with US over nuclear arms control, unsureness about the quality and stamina of leadership in Washington and anxieties about neutralist-nationalist tendencies in West Germany. He is equally clear that if the EEC, with its comprehensive membership, could tackle security, then he and the WEU would pack up. But it can't, so they won't.



Mr Cahen: open about motives

He is particularly enthusiastic that since 1984 defence ministers have been brought into WEU meetings, giving the proceedings a certain practicality and down to earth quality that foreign ministers—so speaks Mr Cahen the career diplomat—are not known for.

For the future, WEU will have to do three things. First, it must work out some link with the IEPG (which deals with European arms collaboration) and with the EEC (which regularly discusses the political aspects of security in its political co-operation guise).

Second, WEU must be better organised. Its three agencies are, like the WEU Assembly (the parliamentary wing), based in Paris and autonomous from the London-based secretariat. WEU's Arms Control Agency, set up in 1954 to monitor rearmament restrictions on West Germany, now has had only one person working for it since 1984, when most of those restrictions were abolished. Third, it must move ahead to enlarge its membership. Spain and Portugal want to join, but the orginal seven must first invite them.

David Buchan

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Macro-economic policy

Yesterday's virtues get the blame today

IF SOMEONE had told the European Community's founding fathers that 30 years later its members would be resigned to an unemployment rate of over 11 per cent, they would have dismissed the idea as absurd.

On current prospects, however, the now 12 member states of the Community will accept a jobless total of close to 17m people for virtually the whole of the 1980s. In economic policymaking the confidence and optimism which fired the signatories of the Treaty of Rome has been replaced by an almost endemic sense of helplessness.

Economic growth rates of 5 per cent a year—seen as the norm in the era of post-war reconstruction—are no longer even aspired to by the Community's leaders.

West German policymakers become jittery if their economy looks like expanding by more than 2½ to 3 per cent. Britain's Government claims a major triumph for six years of steady growth even though well over 3m people are still condemned to enforced idleness.

The Community was the product of an era in which governments were confident that they could enhance the welfare of and shape a better future for their citizens. The prevailing philosophy three decades later is one which blames that same interventionism for Europe's economic woes.

In the process relative values have change dramatically. Success is not measured against the yardstick of the dynamic 1960s but against the inflationary chaos of the 1970s.

Sadly, even against those modest aspirations the immediate prospects are far from bright. The European Commission's latest forecasts point to a growth rate of only 2.3 per cent in 1987, down from 2.8 per cent last year. Only Britain's economy is expected to outperform 1986, with decelerating output growth looking virtually certain in both West Germany and France.

Unemployment, currently at 11.8 per cent of the working population is expected at best to stabilise.

The slowdown in West Germany, in particular, can in large part be blamed on the major squeeze on exporters which has resulted from the continuing depreciation in the value of the dollar.

The Bonn Government, however, remains unwilling to compensate with action to stimulate domestic demand in its economy.

Last month the European Commission singled out three ways in which West Germany could improve the outlook: by bringing forward tax cuts planned for 1988, by encouraging further public investment; and by accelerating the tax reform package due in the 1990s.

So far the most that Bonn has offered is to increase the size of the 1988 tax-cutting package.

Community finance ministers tend to console themselves with their obvious success in the fight against inflation, with the annual pace of price rises now running at its lowest for more than 20 years. But the simplistic link that they assumed at the start of the 1980s between low inflation and faster growth has proved far from automatic.

As a result the focus of policy-making has switched to improving the supply-side of European economies. Broadly translated that means improving labour market flexibility by weakening the power of trade unions, encouraging small enterprises, and liberalising financial and other markets.

But even the most ardent proponents of the idea that Europe's economic salvation lies in micro rather than macro policies acknowledge that it will be a long haul. Privatisation, or the removal of restrictions on capital flows, may over time improve the productive capacity of the Community's economies but they have yet to have an impact on current output.

"The current level of unemployment cannot be tolerated and, far from being inescapable, can be reduced through balanced action bearing simultaneously on supply and demand," the Commission says in its 1986-87 Annual Economic Report.

Its call to action is based on medium-term projections showing that the Community will still be faced with an unemployment rate of over 10 per cent in 1990.

The substantial gains to real income provided by last year's halving of the world oil price have not been translated into significantly higher production and investment. In the meantime there are fears that the longstanding investment and technology gap between Europe and Japan and the US will widen further.

The European Commission, in its call for a co-operative growth strategy, puts the case eloquently for a new approach.

To achieve a significant reduction in the jobless total, the pace of growth in employment will have to be raised from the current ¾ per cent a year to between 1½ to 2 per cent.

The Commission is not shooting for the moon. It estimates that such employment gains could be achieved with an overall economic growth rate of between 3 to 3.5 per cent a year—provided policies were introduced to make this growth more employment-intensive.

The hoped-for acceleration in output would depend essentially on greater investment—both public and private. Since 1970 the Community's investment performance has been mediocre relative to its main industrial rivals.

Between 1970 and 1985 the volume of investment increased by only 14 per cent, against a rise of 74 per cent in Japan and 68 per cent in the US. In the last 18 months the investment rate has picked up, but the share of capital spending in gross domestic product is still around four percentage points lower than in the 1960s.

The Commission has stressed that efforts to increase demand should be accompanied by continued wage moderation and by additional measures to improve labour market flexibility, and the broad principles of its strategy have been endorsed by governments.

Unfortunately the clear implication that fiscal policy in the strongest economies should be used to stimulate demand has proved less palatable. The Bonn Government still views calls for it to loosen the fiscal reins as threatening a rerun of the late 1970s when it fell victim to the locomotive theory of international economics.

Britain has increased its public spending limits for the next two years, but the decision has more to do with internal political considerations than with any joint strategy. Even within higher overall spending totals, public investment is set to fall in real terms.

The conservative Government in France seems set more on retrenchment than on translating the country's remarkable success over the past few years in squeezing out inflation into concrete gains in output.

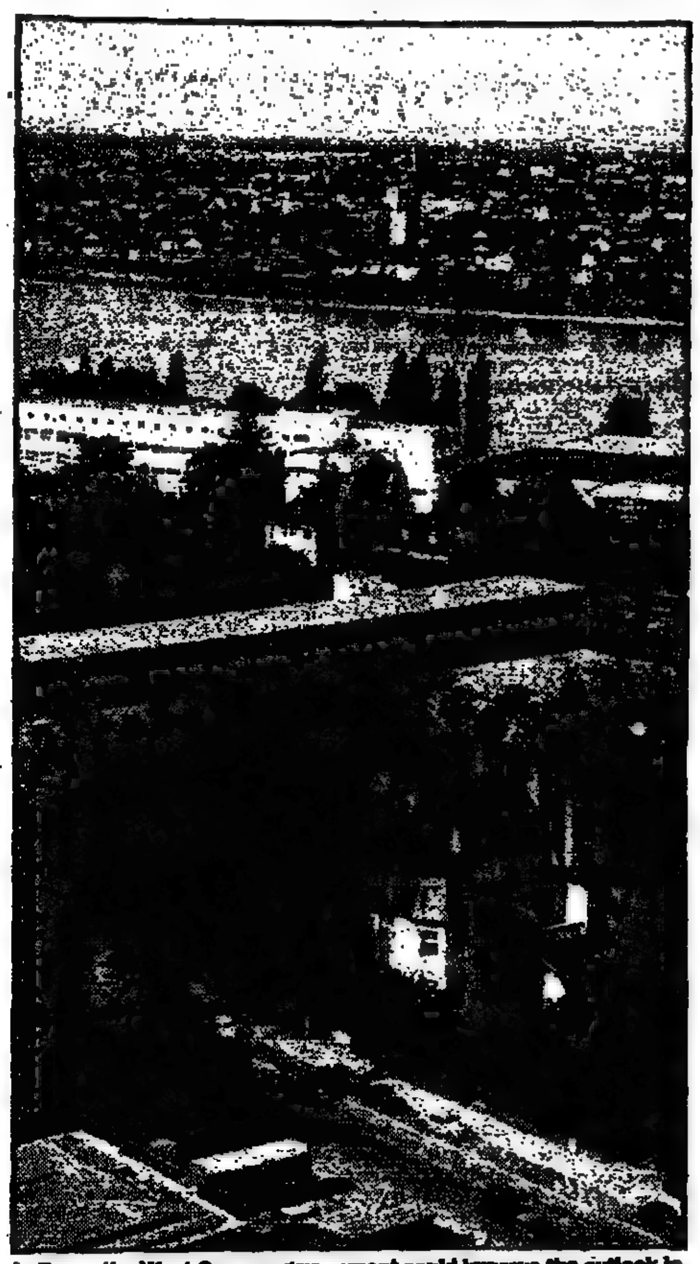
Other countries like Belgium and Italy still face huge public sector deficits and the Commission agrees that their first priority must remain to cut back on spending.

The net result, however, is that the co-operative growth strategy, with its modest ambition of an annual increase in output of 3 to 3.5 per cent, is gathering dust on the shelves of the Berlaymont. That makes for a rather depressing 30th anniversary for the Community's economy.

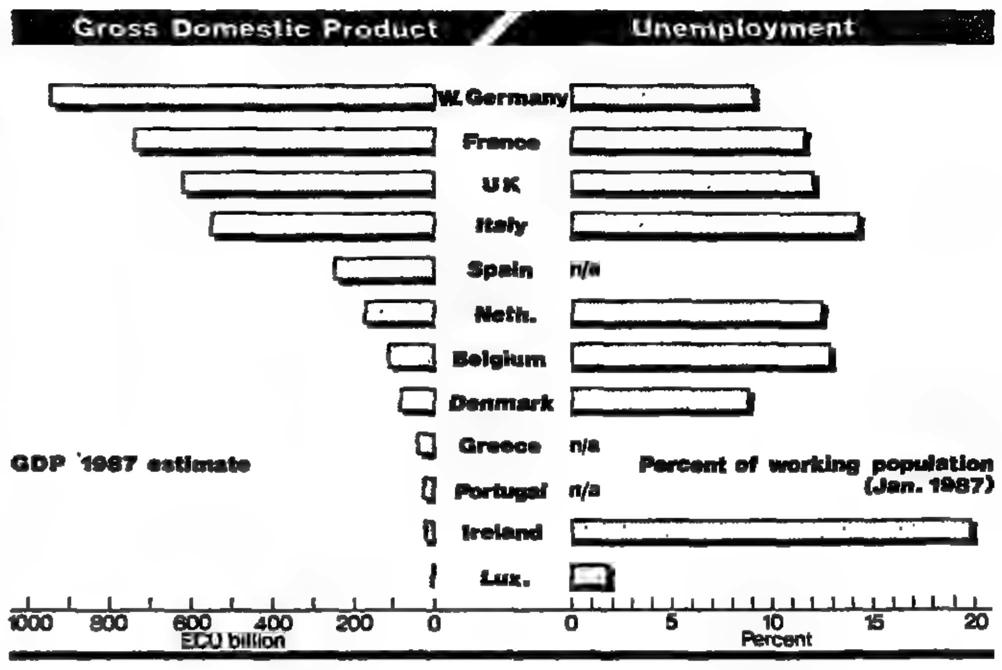
Philip Stephens

Stormy weather: and it won't be any simpler in the 1990s

Terry Kirk



In Bonn, the West German government could improve the outlook in three ways, says the Commission.



Trade and balance of member states

(Ecu m, 1985)

	Extra-Community trade: Imports	Exports	Balance	Import cover*	All trade: Trade balance	Import cover*
Belgium/Luxembourg	22,877	20,359	−2,518	89.0	−3,698	95.0
Denmark	11,951	12,518	+567	104.7	−1,454	94.0
W. Germany	97,620	120,520	+22,900	123.5	+33,036	115.9
Greece	6,820	2,731	−4,089	40.0	−7,411	44.5
Spain	22,507	14,242	−8,265	63.3	−5,582	84.6
France	57,225	59,176	+1,951	103.2	−13,462	90.5
Ireland	3,635	4,081	+446	112.3	+454	103.4
Italy	62,811	52,535	−10,276	83.6	−15,973	86.6
Netherlands	39,735	22,377	−17,358	56.3	+3,939	104.4
Portugal	5,358	2,697	−2,661	50.3	−2,585	74.2
UK	75,058	67,250	−7,808	89.6	−11,865	91.7

*Import cover = exports (fob) as a percentage of imports (cif).
Source: Eurostat

Profile/Karl-Otto Poehl

A presidential tightrope

THE PRESIDENT of the West German Bundesbank since 1980, Mr Karl Otto Poehl shares, along with a long-time friendship, two important characteristics with Mr Paul Volcker, chairman of the US Federal Reserve Board.

The two men rank as probably the most experienced and authoritative voices on the international central bankers' circuit. They also have plenty of experience of being put on the defensive by periods of political and economic pressure.

With the Bundesbank's monetary policy a focus of controversy both at home and abroad, Mr Poehl, aged 57, is going through just such a period at the moment.

Mr Poehl, a veteran of monetary trouble-shooting from his days as state secretary at the Bonn finance ministry during the 1970s, is a highly proficient political performer as well as an expert currency technician.

He has needed both sets of qualities in good measure since he moved to the Bundesbank as vice-governor in 1977 before taking over at the helm seven years ago from Dr Otmar Emminger.

The next few months will certainly see further demands on his unusual blend of expertise. Mr Poehl's mandate at the Bundesbank comes up for renewal at the end of the year.

Drawn from the ranks of the opposition Social Democratic Party (SPD), Mr Poehl appears likely on balance to be asked to stay on by Mr Helmut Kohl, the Chancellor. But the decision could be made more delicate by the question of how the Bundesbank chooses to adjust its monetary policies in the face of the weakening economy.

On the international front, Mr Poehl has been closely associated with the European Monetary System since its conception in 1978. He admits that he, like others at the Bundesbank, had doubts about the sturdiness and usefulness of the animal—and has been favourably surprised that it has stood up relatively well since it started operation in March 1979.

Mr Poehl's views on the EMS have been coloured partly by the use West Germany made of the system to stabilise the D-mark during a rare period of weakness of the German currency during the early 1980s.

The period, which coincided with the beginning of Mr Poehl's Bundesbank presidency, has left a deep mark in the consciousness of the central bank and of the Bonn finance ministry. The trauma left by current account deficit, currency depreciation, and reserve losses, undoubtedly strengthened the hand of the monetary conservatives at the Bundesbank.

This camp is led by Dr Helmut Schlesinger, the vice-governor. Mr Schlesinger has placed his stamp on the "stability-first" policies followed by the central bank in recent years—which in turn have led to resurgence of familiar revaluation pressures on the D-mark.

Faced with the task of trying to play off the often competing wishes of the US Administration and of the policy-making Bundesbank council, Mr Poehl has had a difficult time during the last year or so of pressure over the falling dollar.

He failed in the months leading up to last year's autumn International Monetary Fund meeting to persuade the US Treasury of a deal under which the Bundesbank would cut its discount rate in return for a commitment for the US to defend the sliding dollar.

In a much more unco-ordinated and messy way—following a D-mark EMS revaluation forced by massive speculation, amid signs of a flagging of German growth—the Bundesbank has now cut its discount rate. And, at the Paris monetary meeting in February, the US has delivered an undertaking (the strength of which has still to be tested by the markets) to prevent a further fall of the dollar.

Mr Poehl meanwhile is still facing pressure from critics at home who claim that Bundesbank monetary policy (depending on whether measured by money supply growth or real interest rates) is alternatively too lax, or too strict.

The debate is one symptom of how the Bundesbank is becoming drawn into political squabbling from which it was previously aloof.

Mr Poehl, for all his public assuredness, is acutely sensitive about the way that the time-honoured consensus in Germany over the Bundesbank's monetary policy is in danger of being eroded. Although Mr Poehl's working relations with Mr Gerhard Stoltenberg, the Finance Minister, have been excellent, the Bundesbank Governor is also aware that, as a man from the ranks of the SPD, he is not totally invulnerable to the direction of the political wind in Bonn.

Mr Poehl is however enough of an old hand possibly to get some sneaking enjoyment out of the latest political ructions over the central bank.

As the date for renewal of his mandate nears, a prime comfort for the Bundesbank Governor is that the Government is not likely to be able to think of anyone better suited to defending—at home and abroad—the integrity of his adopted institution.

David Marsh

Mr Poehl: sneaking enjoyment from the latest ructions

Monetary policy

A good idea that's led nowhere yet

THE DEGREE of monetary integration achieved so far by the European Monetary System doubtless falls well short of what the authors of the Treaty of Rome envisaged might be possible by 1987.

It certainly falls well short of what the founders of the EMS believed was feasible in March 1979.

Eight years ago, it was hoped that the EMS would be merely the first phase in a process of monetary reform that would lead, ultimately, to the "crowning achievement" of a common European currency.

Optimists envisaged a greatly expanded role for the European Currency Unit (Ecu), both as a means of settlement and as a reserve asset, and hoped that a European Monetary Fund with real powers might be created within about two years of the EMS's inception. The idea was that the fund would be able to intervene directly in currency markets and manage liquidity by issuing Ecus.

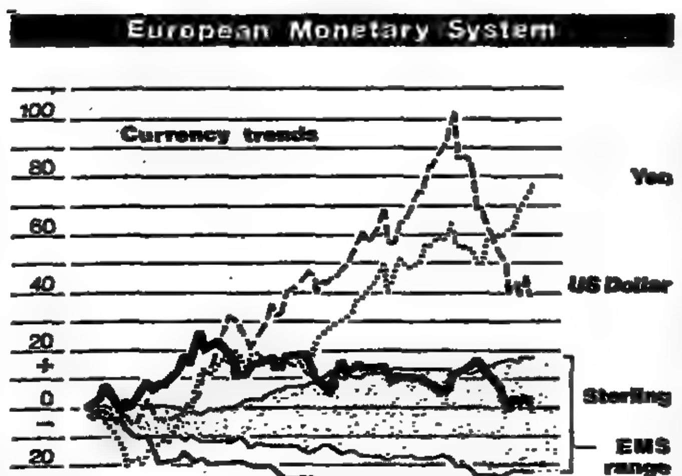
In the event, the EMS has not yet led anywhere. Finance ministries and central banks jealously guard their powers, and have failed so far even to agree on long overdue technical reforms. The heated exchanges between West Germany and France, in the days preceding January's acrimonious Deutsche Mark revaluation, have given fresh impetus to the talks over the rules governing "intramarginal intervention"—support for weak currencies before they breach bilateral limits—but it remains to be seen what action will be taken.

Certainly, it is hard to see the EMS evolving into a tighter monetary union in the near future. The founders of the system have every reason to be disappointed with the lack of progress since 1979. Who would have guessed then that, after eight years of dithering, the UK in 1987 would still not have joined the key exchange rate mechanism? Who would have guessed that Italy would still be taking advantage of "temporary" access to specially wide fluctuation margins around central parities (6 per cent, compared with 2¼ per cent for other participants)?

The founders might also have been surprised by the frequency of realignments that have proved necessary. There were seven in the EMS's first four years, prompting fears that the system would degenerate into a crawling peg mechanism. The flow of capital out of the D-mark and into the US dollar between 1983 and 1985 temporarily eased strains within the EMS; but as the D-mark has appreciated strongly in the past 18 months, so the pressures have built up again, necessitating a further four realignments.

The frequency and size of the realignments have made possible large cumulative devaluations of the weaker member currencies against the D-mark—of the order of 40 per cent in some cases. Such flexibility was clearly necessary to allow the EMS to function at all. But it implies that the pressure for convergence of member countries' economic policies was not as intense as advocates of the EMS have sometimes claimed.

In the UK, EMS enthusiasts argue that full membership would impose strong disciplines on the economy. A glance at Italy's enormous public sector deficit, and still comparatively high inflation and interest rates, should be sufficient to instil some doubt. The disciplines depend entirely on members' willingness to contemplate regular devaluations against the D-mark. It must be far from certain that the UK would be a "hard" currency member of the exchange rate mechanism like the Netherlands, rather than a relatively "soft" member like France.



Source: Commission of the European Communities

The EMS has not obviated the requirement for regular exchange rate adjustments to reflect changing economic fundamentals in member countries. Where it has scored is in reducing significantly the short-run variability of member currencies: this is so whether the yardstick is the volatility of European exchange rates in the 1970s, or the present volatility of major currencies that are not tied into specific exchange rate pacts. The reduced volatility has been an unmixed blessing for trade between member countries.

The big question is whether, after eight years, the EMS is in need of more than minor reform if it is to meet members' needs fully in coming years. One challenge is posed by the fairly tight timetable for the progressive liberalisation of capital movements within the European Community. Given the still significant divergences in the economic performance of member countries, it is possible that fully mobile capital flows would destabilise the exchange rate mechanism.

The instability caused by greater capital mobility might be exacerbated by British full membership of the system following the next general election. Could four economies as large and diverse as West Germany, France, the UK and Italy co-exist in a system as rigid as the EMS? It might be necessary to contemplate a loosening of the system, rather than a 1970s-style thrust towards fuller integration. It could be that a more flexible system of exchange rate target zones (as advocated by several leading international economists) would be appropriate for a group of countries that could no longer easily be classified as a "D-Mark bloc."

One thing is certain: the pressure for freer capital movements is not going to diminish. The European Community has, therefore, to come up with an exchange rate system that can cope with mobility of goods, services and capital. The EMS, as presently constituted, may be sufficiently flexible, but the need for reforms that would have been regarded as regressive in the late 1970s cannot be ruled out.

Mobility of capital, however, is only the latest twist in a long-running debate about the best way to promote economic harmony in Europe. The main issue — which has not changed in 30 years — is how to persuade individual countries to cede economic sovereignty for the greater good of the Community as a whole. The squabbling which surrounds EMS realignments suggests that members are not yet ready for more serious steps towards integration.

Michael Prowse

The **Common Agricultural Policy,** once a cornerstone, is bursting apart under the pressure of its own in-built contradictions

Still solvent, thanks to creative accounting

Mr Mansholt: Plan II would diminish output

THE WARNINGS have been getting louder for years. But the premonitions have now turned into a fact which even diehard defenders of Europe's system of farm support would be hard-pressed to deny: the Common Agricultural Policy, though one of the cornerstones of the European Community, has now become the biggest potential engine of its destruction.

The costs of supporting farm prices and storing farm produce have grown to the point where they are persistently threatening to break the EEC budget. The inexorable rise in farm spending has defied all ministerial efforts to contain it—from the rather hesitant attempts to reshape agricultural policy by farm ministers to the much-heralded imposition of "budgetary discipline" by finance ministers. Both last year and this, budgeted expenditure has looked set to exceed the available funds, and it has only been by a range of desperate stratagems and creative accounting practices that the European Commission has remained technically solvent.

Rising EEC production of almost everything, and growing subsidised exports, have become an increasingly disruptive force in world trade, with the US on the warpath against the European practices that it claims have robbed it of a significant part of its international market share.

Farm incomes, the maintenance of which has always been one of the CAP's principal theoretical aims, have come under increasing pressure in recent years, sparking serious signs of unrest in rural communities across Europe, and raising the political temperature surrounding agriculture.

In some countries, but by no means all, consumers have complained at the sight of EEC butter being sold off to the Soviet Union at one tenth the price it cost them in the shops. Consequently, a host of acrimonious disputes between member states about the future direction of policy have shaken the Community at the highest level. Indeed, the divergence of views about what the policy should look like in the future has seemed so great in the past year as to call into question the justification which is most often wheeled out in defence of the CAP, namely, the rather dubious assertion that it is the EEC's only fully-fledged common policy.

After all, even "common pricing"—one of the foundations of the CAP—has been turned into something of a farce by the web of green currency arrangements which allow individual member states to award price rises to their own farmers, despite a price cut agreed at EEC level.

Talking about the CAP, farm ministers from the leading member states sometimes sound like they are describing a quite extraordinary range of government activities, from agriculture to social security. The West Germans, for example, tend to emphasise its social effects in rural areas (and especially on small farmers); Britain, by contrast, dwells on the need to inject what it sees as economic sense into the policy—by cutting prices, and above all by not disadvantaging the larger more efficient farmers of which Britain has the biggest number.

The only thing that ministers appear to be able to agree on most of the time is that they are confronted with an intractable series of problems.

For some time now, the result of this discord has been too little reform, too late. The Community, in its annual jousting match over farm prices, has tended to move at the pace of its slowest member and to bow to narrow national interests.

Ministers have shied away from the difficult but essential long-term questions about the future of European agriculture, and preferred to make piecemeal changes—only taking a more radical course when panicked into doing so by the threat of imminent EEC bankruptcy.

Milk is an obvious case in point. For years, the dairy sector has generated the biggest headaches for EEC policy makers, struggling to reconcile the needs of peasants with 10 cows in a barn and the interests of large-scale highly-capitalised farmers with fertile land and the latest in fine-tuned breeding stock and machinery.

Dairying has been the biggest drain on the EEC budget, and surplus butter the most difficult food mountain of which to dispose on the world market.

Ministers tried countless soft options to deal with the problem—from paying farmers to slaughter their cows (only to find them building up their herds again afterwards) to forcing producers to share in the costs of surplus disposal (which only encouraged them to produce yet more to compensate for the reduced unit return).

In the end, though, as it became clear that the budget would tolerate no further delay, they bowed to the inevitable and agreed, in April 1984, to curb production directly by means of output quotas. When that failed because the quotas were fixed too high and ministers shamelessly injected loopholes into the rules, the panic returned and another round of reductions was pushed through last December.

We may not have heard the end of this story yet. Worse still, the story is only just beginning in cereals, where the surplus problem is predicted to become every bit as bad as in the dairy sector by the early 1990s unless something drastic is done.

Last year, in an ominous echo of the feeble early efforts to curb milk output, the Community agreed to impose a "co-responsibility levy" on grain growers—essentially a tax on them—designed to contribute towards the cost of surplus disposal. Apparently quite unconscious of any irony, Mr Frans Andriessen, the farm commissioner, sung the levy's praises as an important step towards dealing with the problem.

The common thread through all these events is that the CAP is bursting apart under the pressure of its own in-built contradictions. Signatories to the Treaty of Rome are required to achieve a fair standard of living for farmers; to improve farm productivity; and to maintain secure supplies of food at reasonable prices to consumers. And the Community has in effect tried to accomplish all that by setting common prices for farm products.

It is hard to imagine a blunter economic instrument. Open-ended price support has meant big farmers getting richer and more highly-capitalised, and small farmers—contrary to the CAP's social aims—experiencing increasing difficulty in keeping up. It also sowed the seeds of all the CAP's present difficulties by encouraging the tremendous advances in technology which have caused such leaps in agricultural production in recent years.

Ministers have belatedly cut prices in real terms over the past couple of years, but farmers have by and large been able to raise production by at least enough to compensate.

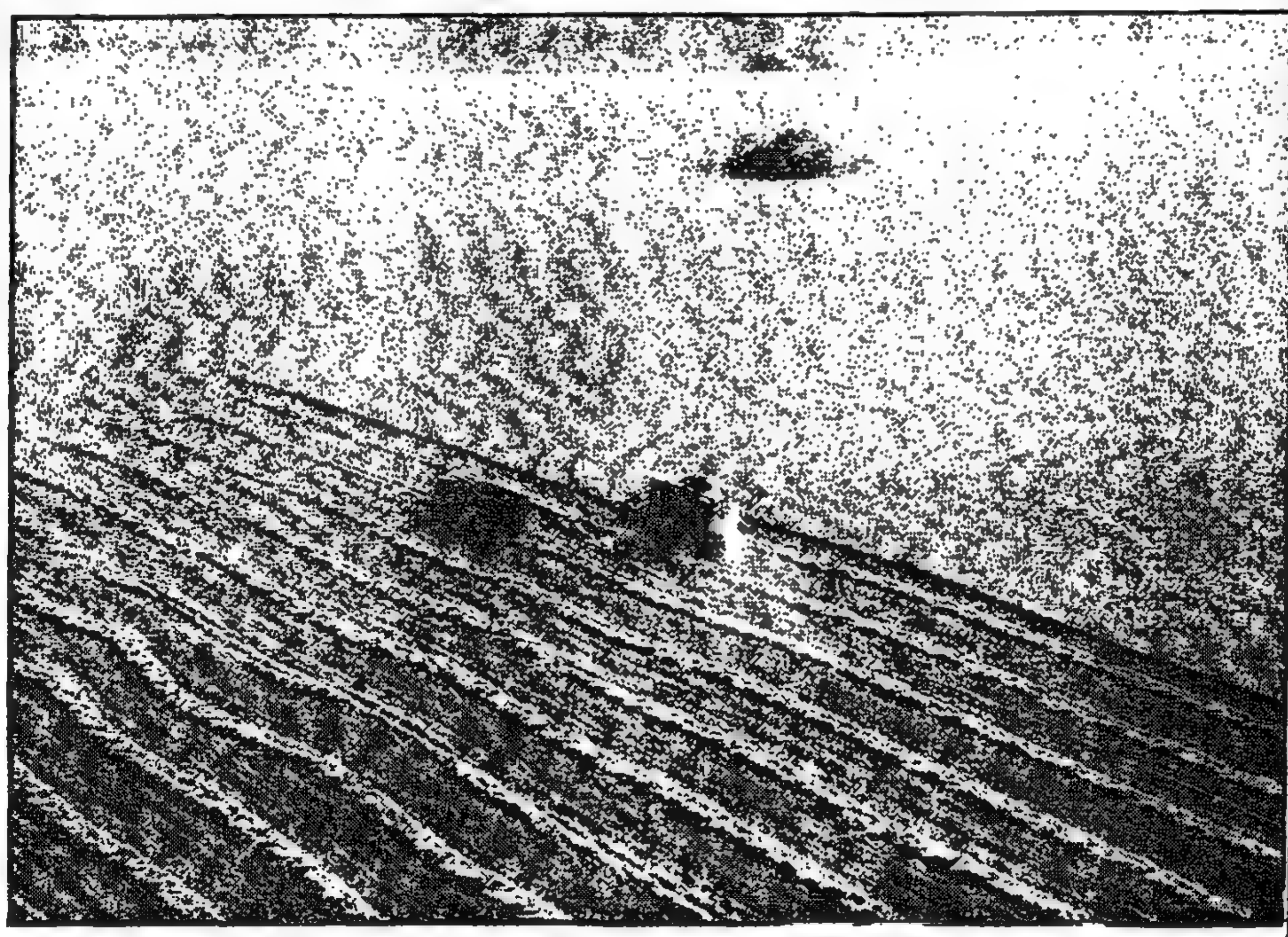
It has become increasingly clear that, so long as price cuts of a magnitude to achieve a significant reduction in output cannot be agreed, this policy actually leads up a blind alley. The scope for exporting the problem—by dumping farm produce on the world market—is now minimal; the market itself has shrunk, prices are so low as to make the cost of subsidising exports almost prohibitive, and in any case agricultural export subsidies are under intense fire in the new round of multilateral trade talks.

So the Commission, and the individual member states, have been groping for new solutions. There is talk of pensioning off ageing farmers, of the voluntary or enforced idling of large areas of farmland, of production quotas on everything. None of the ideas has yet come sufficently into focus to form the basis of a new common policy.

And indeed, it seems unlikely—for the moment at least—whether any of them will. For the contradictions exposed at the heart of the CAP are contradictions between individual member states with very different farming systems and structures.

In all probability, the Community will have to come to terms with the prospect—viewed with horror only a couple of years ago—of increasing "renationalisation" of farm support. The challenge for the Commission and the member states is to make sure that this does not turn into the sort of subsidy race that could destabilise the Community more fundamentally than any of the ructions which have surrounded farm policy so far.

Andrew Gowers



Agriculture does have its simpler patterns

Profile/Sicco Mansholt, the Dutchman who planned CAP

'When technology was underrated'

AS THE ORIGINAL architect of the EEC's Common Agricultural Policy Mr Sicco Mansholt could be blamed for creating the mountainous surpluses of food stuffs that threaten to bankrupt the Community.

But the proud Dutchman, who was EEC Commissioner of Agriculture from 1958 until 1972, accepts no blame for the inexorable rise in overproduction and the costly storage of the excesses. He points the finger at two other causes: unforeseen technological advances that fuelled output and a council of ministers who rebuffed Commission attempts to curb farmers.

"The only blame I have is that I didn't resign when our proposals were rejected by the council," Mr Mansholt asserted during an interview at his 18th century, thatched-roof farmhouse in the eastern province of Drenthe. "Especially the French, they were always saying no."

An elder statesman of agricultural policy, the 78-year-old Mr Mansholt himself farmed for eight years until 1945 and then became the Netherlands' postwar Minister of Agriculture, serving until 1958. Then he went to Brussels as one of the founding fathers of the EEC and eventually became vice-President of the Commission in 1970 and President for a brief period in 1972 and 1973, the only Dutchman to hold the top post.

He is a committed socialist who comes from a long line of progressive farmers. His grandfather made a name as a politician of the left who worked for agricultural reform while his grandmother was considered even more radical. Mr Mansholt's father, also a farmer, sent his son to study agriculture on the plantations of Indonesia, then a Dutch colony.

During World War Two Mr Mansholt raised grains and sugar beets on a large spread in the northeast polder, reclaimed land where he saved many jews by hiding them in his haystacks. When the occupying Germans departed they broke the dykes and flooded most of the polder, desroying the Mansholt farm.

Mr Mansholt's vision of a Common Agricultural policy was launched in June 1958 in Stresa, Italy at a meeting of government and farm representatives from the six member states as outlined in the Treaty of Rome.

Under the Mansholt Plan there was to be one common agricultural market with a single price for each commodity and direct financial aid to farmers.

All agreed that the single European price had to be higher than the world market level to ensure farmers a decent living. The financial aid would include grants, cheap loans and subsidies aimed at helping farmers to expand and improve their business.

Using the Netherlands as a model, market organisations were established to set import levies and export subsidies for cereals, dairy products and fruits and vegetables. Meat, fish and other commodities followed.

"Then we started to have difficulties," he recalled while sitting with thick files generated from a tiny nook of an office.

"We underestimated technological developments. Production was growing about 2 per cent a year and consumption was stable." But overall demand really was rising, he finally admits, because exports were then climbing.

Nevertheless he resolutely denies that too generous agricultural prices, subsidised by consumers through dear food prices, goaded farmers into growing too much. "Investment is stimulated by stable prices and we had stable prices while world prices were volatile."

During the 70s the Commission finally realised that things were getting out of hand and tried to slow production. "But the council would not take the measures to halt the surpluses," he says.

A man who clearly enjoys political debate, Mr Mansholt recently catapulted himself back into the limelight with Mansholt Plan II to shrink farm output through a mandatory set-aside system in which land is laid fallow. Scholarly articles, newspaper interviews, visits from US agricultural experts and telephone calls from Brussels appear to be a welcomed change from the quiet retirement of recent years.

"Not growing (crops and animals) is the cheapest way of compensating farmers," he argues enthusiastically based on reams of intricate calculations and statistical charts. "It's a preventive method."

Under Mansholt II farmers would be required to set aside 10 per cent of their land in exchange for compensation of Ecu 700 (£488) per hectare a year, topped off by member states if they wished. The obligatory set aside could rise to 20 per cent by the 1990s.

The scheme would apply only to the Community's 2m big farmers, who account for 80 per cent of production, and exempt the remaining 3m small farmers.

Production quotas for milk and sugar would continue but eventually be trimmed. Price supports such as intervention levels, target levels and premiums would continue.

Smaller farmers, many of whom are part-time, would be encouraged to quit the business through early retirement plans or cut production to 80 per cent of previous output through financial incentives.

Mr Mansholt reckons it would cost Ecus 4.5bn a year to pay farmers for pulling land out of use although this does not include payments to small farmers for growing less. The Ecus 4.5bn would be only half of the Ecus 9.5bn he figures is now spent on export restitution—the difference between higher European prices paid to farmers and lower world prices at which products are sold.

Although the Commission has strong reservations officials in Brussels are known to be studying the whole question of set asides, which was put forward by Britain last year as one solution to the problem of cereals surpluses. An early retirement scheme was recently proposed by the Commission but thrown out of a package of "socio-structural" measures at this month's meeting of farm ministers.

Mr Mansholt admits that his plan has weaknesses. When forced to leave land fallow, farmers will naturally choose the poorest land which yields less anyway. They also might try to raise just as much on less land through more intensive techniques if the Ecus 700 compensation is considered too little to offset lost income.

A man of strong convictions, Mr Mansholt adamantly opposes current agricultural policies aimed at cutting prices paid to farmers, bringing down European prices closer to world levels and paring the Government's role.

"You can't reduce prices because it's politically impossible," he declared. "Farm income is relatively low . . . and social well-being can't be reduced anymore."

It's too difficult to decide what a reasonable amount of compensation is for lost income resulting from lower prices, he believes. Besides, he adds, cheaper commodity prices would only lead to bigger gluts because marginal farmers would be forced out of business and more productive ones would take over and grow more. This is what is happening in the US, he asserts.

A free market in agriculture is completely out of the question, he says. "Prices would be low, competition would be heavy . . . and no country can live without a farm population. You must have farmers to look after the land, provide food and form part of society."

Laura Raun

Profile/Sir Henry Plumb, President of the European Parliament

A shrewd negotiator with a single tongue

Sir Henry: "I see room for improvement"

HENRY PLUMB is in many ways a rather unlikely Englishman to have become the first British President of the directly-elected European Parliament.

A hard-headed former farmers' leader from the nation generally regarded as having the least agricultural "vocation" in the EEC, he has risen to the top at a time when the Common Agricultural Policy is in eclipse. In the Parliament in particular, the once dominant farming lobby is now in a clear minority.

He is also a monoglot, speaking only English in an organisation which sometimes resembles a 20th century Tower of Babel. And he is a British Conservative, and therefore identified with Mrs Margaret Thatcher, the British Prime Minister and the bane of true Euro-believers.

But behind the benign and bluff exterior of an English country squire, he hides a shrewd negotiating mind, and a surprising personal commitment to the European cause. On more than a few occasions, he has spoken out in criticism of British Government policy, and distanced his group from the Government at home.

Probably because of, rather than in spite of, those apparent contradictions, he was the one British Conservative MEP thought able to command majority support from the assorted Christian Democrats, Gaullists, Liberals and others making up the centre-right bloc in the Parliament.

"Better to speak sense in one language, than nonsense in several," is his motto. "I was born an Englishman and will die a European," is another resounding quote.

The award of a life peerage in the latest honours from Buckingham Palace has left his Continental colleagues somewhat confused, as they are by so many manifestations of British attempts at Europeanism. What most British observers regard as an honour not just for Sir Henry Plumb, but also a belated recognition of the role of the European Parliament, is seen in Strasbourg by others as a curious anachronism, essentially undemocratic, and possibly distracting their president by making him simultaneously the member of another legislative assembly.

Sir Henry has no such doubts, and a firm belief in the importance of his job in Brussels, Strasbourg and Luxembourg (the three poles of parliamentary work) at a key time in the development of the institution.

"It is the most exciting time to take over since the directly-elected parliament came into being," he says. The reason is the imminent coming into force of the Single European Act—the package of reforms to the Treaty of Rome, the Community's constitution, which not only seeks to streamline the decision-making of the 12 member states in the Council of Ministers, but also to give the Parliament significantly greater influence in the process.

"I'm not a great administrator," he says. "I see the job as one of action. I am going to enjoy it. I will be there representing the Parliament with the Council (of Ministers) and the Commission in decision-making.

"Hopefully it will make the Parliament more responsible. I must try and bring about improvements internally—and there is a lot of room for improvement."

The Single Act will institute a system giving the Parliament two opportunities to influence Community legislation, and making it more difficult (although still not impossible) for the Council to ignore its opinions.

"We have to change. If we take so much time in voting, then we are not going to be as involved as we should be in decision-making," Sir Henry believes. "We must make the committees more responsible for their reports, and restrict the number of amendments put in the full plenary session."

With any luck, such a system might also prevent the Parliament, an ideologically unwieldy assembly representing the full fragmented spectrum of political opinion and national divisions, from reaching so many incoherent and self-contradictory conclusions.

Like most British supporters of the Community, Sir Henry puts completion of a genuine Common Market top of his list of priorities. "Being a committed European, I want to see the thing work," he says. "I look forward to having these barriers removed by 1992."

He has more mixed feelings about the Common Agricultural Policy which he once defended enthusiastically as president of the National Farmers' Union from 1970 to 1979, and as past president of the European Farmers' Federation (Copa).

"I was a great booster of the CAP," he admits. "In the early 1960s I saw the growing pressure of food imports into Britain, when I felt we could be growing more ourselves. I felt it would be good for the economy, good for the balance of payments, and not bad for the consumer if we could grow more at home. I used to think we were the dumping ground for the world."

That made him an enthusiastic advocate of bringing Britain within the CAP. But he never believed expansion of British agriculture could continue indefinitely. Now he admits that he underestimated the effect of improving technology and knowhow in boosting farm production up to and beyond the level of available demand.

He agrees that the CAP, having once been the one common policy of the Community, could now be the cause of pulling the Community apart if its budgetary costs are not brought under control.

The answer, he believes, is in promoting a coherent land use policy throughout the Community, which will still provide farmers with an income as they cut back surplus production. Prices for commodities in excess supply would have to come down, at least for the surplus.

That debate is one over which he will be presiding, rather than participating in it, over the next two years and a bit of his mandate. Then he has every intention of getting back into the cut-and-thrust, not retiring gracefully onto the back benches of the House of Lords.

In the meantime, his will be a very visible role on both side of the Channel: persuading British electors that the Parliament in Strasbourg is a meaningful institution, and persuading sceptical non-British MEPs that their suspicion of UK commitment to Europe is ever less justified.

Quentin Peel

March 25 1987

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The Community budget

Where the real choices will be made

"WHY, OH WHY," the Southern Ambassador bemoaned, "must we always be arguing about the budget? Why can't we discuss the future of the Community, for once?"

"Because," the Northern Commissioner replied, "I fear it is the future of the Community."

That cryptic exchange, overheard on the 14th floor of the Charlemagne building in Brussels, in the wings of yet another EEC budget crisis meeting, sums up both the actuality and frustration of the Community debate, 30 years after it was launched.

To be sure, the budget represents only a modest proportion of Community interests. At some Ecu 36bn (£26bn) in the current year, it still amounts to barely 1 per cent of Community economic activity. And if completing the Common Market, pursuing a common trade policy, or moving towards economic and monetary union, are major ambitions, they are scarcely reflected in budget spending lines at all.

Nonetheless, the budget has become the main arena for the real policy debate about the future direction of the Community. The choice of, and prospects for, any new policies in fields, such as research and development, job creation and training, regional infrastructure and the like, are totally dependent on the provision of new resources.

The question is: What sort of Community do we want? A glorified free-trade area with common industrial standards and a single customs form? Or a more integrated economic area, with a large degree of policy co-ordination, backed up by a substantial central authority seeking to balance the centrifugal effects of a common market with an active regional investment strategy?

That is a debate which brings both national interest and political ideology into shifting alliance between the 12 member states. *Cohesion is the buzzword* for spending more on social and regional policies, for an active research-funding programme. Solidarity is what the French call it. The poorer member states — in the Mediterranean south, and Ireland, too — regard it as a precondition for opening up the internal market. The northern net contributors to the EEC budget — West Germany, Britain and now, increasingly, France — remain very sceptical. They fear it is an excuse to keep *trade barriers in place.*

As soon as the debate is about money, however, it gains two further complications. The first is the inexorable appetite of the Common Agricultural Policy (CAP) to swallow up 70 per cent of all the cash available. The second is the apparent inequity of budget distribution between the member states, alias the "British problem." On each issue, the national line-up differs.

Add to all of that the common theme of public expenditure control, drastic reduction of budget deficits and consequent austerity programmes being implemented in virtually all 12 of the member states. Who wants to give more to Brussels? The budget debate has all the ingredients needed for an eternal soap opera without a happy ending.

It is into that steamy plot that Mr Jacques Delors, the president of the European Commission, has tossed his latest plans for sweeping reform: of the Common Agricultural Policy, of the structural *funds* (social and regional spending), and of the future financing of the whole shooting match. He desperately wants to get away from annual budget crises, to get a long-term financing system with some *stability to allow for long-term* planning, and to persuade unwilling treasuries to pay up the extra cash he needs to embark on new policies. He will be *very lucky if he gets it.*

It was all right in the 1960s, when booming economic growth and the apparently bottomless purse of the Finance Ministry in Bonn meant there was no constraint on spending. But those were also the days before the CAP moved EEC agriculture *into* such chronic and costly surplus, requiring huge storage payments for unsaleable food stocks, when massive export subsidies proved inadequate to conquer third-country markets.

The 1970s brought something called "*own resources*," the oil crisis—and British membership.

Giving the Community its "own resources," instead of simply approving the necessary contributions from national treasuries each year, was more a theological decision than anything else. The Six decided that, in future, *customs* duties and agricultural levies would automatically be paid over to Brussels, together with a proportion of value added tax receipts. Except that, pending the introduction *of a common* VAT base, they had to agree simply to deduct a set proportion of the value of retail sales of a common basket of goods and services—which remains for all the world looking *like* a national contribution, and not an "own resource" of the EEC. But what the system did was set a ceiling: 1 per cent on the VAT formula.

The advent of the oil crisis *speaks for itself: everyone's economic* growth ground to a halt. The entry of the UK in 1973, along with Ireland and Denmark, was another matter. Instead of bringing into the Community a nice big food-importing market to absorb the subsidised production of the CAP, it brought in a small number of dedicated and efficient farmers who responded to the high prices by redoubling their production—and pushing the whole system into surplus.

On the other hand, although British farmers were singularly successful in exploiting the CAP, the policy was identified by the rest of the country as the source of a major inequity: it made Britain the second largest net contributor to Brussels, after West Germany, although in terms of real prosperity she ranked well down the list, after the Benelux countries, Denmark and France. Bonn might have been prepared to ignore its net contribution in the 1960s, but Westminster was not in the 1970s.

The battle for a renegotiation of the British terms of entry—first by Labour governments, and then by Mrs Thatcher in her famous phrase, "I want our money back"—set the scene for the debate that Mr Delors has relaunched in 1987. The Fontainebleau agreement of 1984, which provided for a reduction in British budget contributions of two-thirds of the difference between the country's share of spending and share of VAT contributions, did not tackle any of the underlying issues. It simply bought a little more time. But it did institute a system which the other member states are going to find it well-nigh impossible to undo.

The British budget rebate, now running at some Ecu 1.9bn a year (out of a net contribution approaching Ecu 3bn) has meant that an increase in VAT payments to Brussels from 1.0 to 1.4 per cent has been exhausted almost as soon as it was instituted.

The other, and more fundamental, reason for running out of money again so soon is that, for years, all the institutions involved in the Community financing process—Commission, Council of Ministers and European Parliament—have been engaged in an elaborate exercise to cook the books. Because they kept bumping against the ceiling on "own *resources,*" *they had to find* other ways of living within their means, and they did it by "creative accounting."

One major fiddle had been the refusal to write down the value of agricultural stocks from the inflated initial purchase price to a realistic market value: in 1982, the Commission now admits that already food in storage on the books at Ecu 4bn was worth only Ecu 2.2bn. By 1987, the book value had risen to Ecu 12.3bn, thanks to the surge in cereals, butter, beef and milk powder—but the market value was only Ecu 4.2bn.

The 12 budget ministers have periodically resorted to other devices to present a spurious annual balance—a balance required by EEC financial regulations: carrying forward budgetary deficits to be covered eventually by ad hoc payments, providing "reimbursable advances" (borrowing is not allowed), and most recently inventing "negative reserves" to postpone inevitable cuts to the last possible moment.

The other, slightly more debatable, aspect of the unfinanced burden of spending—the so-called "burden of the past" or the "*pile under the carpet*," as it is known in the trade—is the build-up of *long-term commitments uncovered* by current payments. The Court of Auditors, which has been warning against these practices for years, put the overhang at more than Ecu 11bn by 1985, mainly for schemes in the social and regional funds. But defenders of the system say that such a build-up is inevitable in a growing budget—although they admit that it may have become excessive.

Mr Delors presented his whole package for financial reform against this background: the member states' contributions have been effectively exhausted for years, and, anyway, customs duties and retail sales have proved to be a stagnating tax base, failing to keep up with overall economic growth. Meanwhile, the member states have promised in their Single European Act—the reforms agreed to the Treaty of Rome— to embark on new policies: a greater commitment to co-operation in research and development, transport, the environment; but, above all, regional assistance to the poorer member states under the title of "cohesion."

"We sometimes overestimate the importance of the budget," admits Mr Henning Christophersen, former Danish finance minister and now the Budget Commissioner whose ideas form the key to the proposals. "The most important element in the Community is still the *creation of the internal market*. But what we are doing on research, on transport, is because they fit into the concept of an internal market. So does the CAP."

His key proposal is to include a new element in member states' budget contributions, directly linked to their gross national products. The idea is to create a more equitable base, with the rich paying more and the poor paying less. The most obvious result is that it does reduce the UK net contribution, albeit only modestly, and increases that of Italy, where the difference between the VAT base and GNP base has always appeared abnormally wide. The GNP should also make the Community own-resources base more buoyant and more predictable.

Three things are likely to get the debate bogged down: the aim to boost the social and regional funds by doubling them over five years; the overall increase in member states' contributions requested—raising the present 1.4 per cent VAT ceiling to a 1.4 per cent GNP ceiling, which is equivalent of about 2.1 per cent VAT; and the proposals for a continued British rebate, but this time focused exclusively on the gap between the UK share in CAP spending and its share in Community GNP.

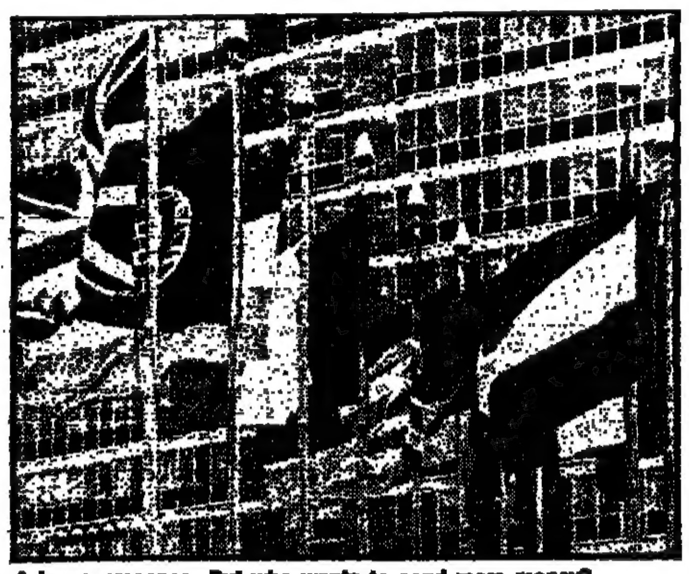
The southern states, and Ireland, are determined to get substantial commitment to boosting the social and regional funds. The UK attitude is that any promise to increase funds before the CAP is brought under control is a recipe for budgetary disaster. As for the rebate formula, on the face of it, it will not be as generous as the present system.

Initial French reaction has been a knee-jerk refusal to contemplate any drastic cuts in CAP spending, compounded by doubts about the benefit of such a large commitment to "cohesion."

The greatest concern in Brussels, however, focuses on the attitude of West Germany, where the government's EEC policy has recently suffered from chronic incoherence. On the one hand, Bonn has caught the British disease, declaring in effect: "Not a penny more." On the other, West Germany is now the most conservative defender of the CAP and its whole-price structure. The logic of German farm policy is that CAP spending would almost certainly continue to swell, leaving ever less for any other policies.

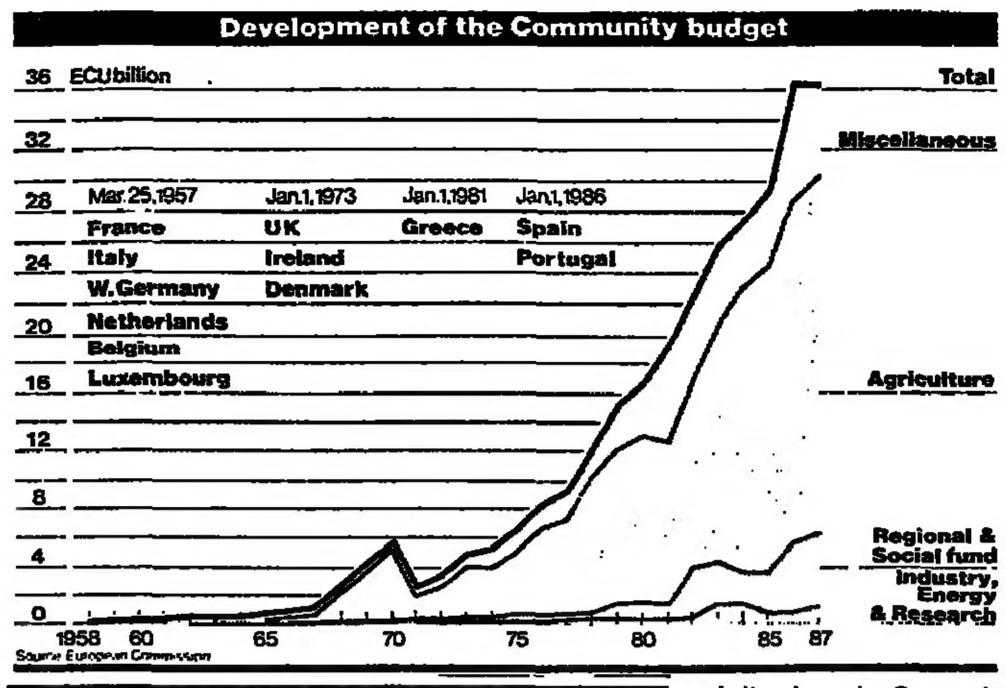
Until there is some coherence in that West German position, it is hard to see how there can be any resolution to the new budget debate. In the meantime, the only alternative will be continuing, and ever more alarming, cooking of the books to pretend that the financial crisis can be postponed.

Quentin Peel



A brave presence. But who wants to send more money?

Development of the Community budget



Source: European Commission

European regional development fund aid

	Projects Number of projects	Projects Millions of ECU	Programmes Millions of ECU
Belgium	498	114.38	0.97
Denmark	831	131.75	—
West Germany	2,315	544.78	0.90
Greece	1,028	1,093.51	6.73
France	4,186	1,683.60	38.38
Ireland	938	712.87	11.72
Italy	9,529	4,352.83	38.85
Luxembourg	26	11.96	—
Netherlands	93	156.16	0.23
UK	6,429	2,735.62	42.36
EEC	25,873	11,537.46	140.14

Source: Commission of the European Communities, DG XVI.

Old industries, new attitudes . . .Six writers consider the implications for manufacturers of being European. **First, steel:**

Crises survived through intervention

THE IRON and steel industry holds a unique position among the manufacturing industries of the Community: the coal and steel treaty, signed in Paris on April 18 1951, given the European authorities wide powers to intervene in the industry's affairs and to influence the steel market.

At that time, coal and steel were the twin powerhouses of the European economy, but in the past 10 years intervention by Brussels has been required to tackle the deep malaise in the EEC steel industry.

At its peak in 1974, Community steel production reached 156m tonnes, but thereafter it dropped sharply, and in the past five years it has stagnated at between 110 and 120m tonnes (excluding new-member countries Spain and Portugal).

The collapse in the markets that provoked this downturn in output was dramatic: consumption fell by one-fifth; steel prices between 1974 and 1977 slid by an average of 45 per cent; and the EEC's exports to the international market began to be eaten away by new lower-cost steelworks in countries like Brazil, Taiwan and South Korea.

The scale of these problems provoked a crisis in the EEC steel industry of unheard-of proportions, and opened the way for the Commission to invoke the powers allotted to it by the Treaty of Paris.

In October 1980 the then Commissioner for Industry, Belgium's Vicomte Etienne Davignon, took the unprecedented step of declaring that a state of "manifest crisis" existed in the industry. Under Article 58 of the ECSC Treaty, this empowers the Commission to regulate the market through production and delivery quotas, minimum prices and import controls.

Davignon availed himself of these powers to the full, with the objective of mitigating the effects of the crisis in the market, in order to allow the industry time to undertake a massive restructuring programme.

When the crisis struck, the industry was preparing to build up its production capacity to more than 200m tonnes a year. It took some while before there was a widespread realisation that this was a pipedream. By 1983, the Community's steelworkers were operating at only 57 per cent of capacity; they were heavily indebted, and were racking up huge losses. Many had to be bailed out by their governments.

Davignon's restructuring plan aimed to reduce capacity by eliminating inefficient works and bring the industry to a position in which it could operate closer to a breakeven level of 80-85 per cent of capacity, even in a depressed market. The Commission persuaded the Council of Ministers to agree to close a large slice of the excess capacity and to adopt a timetable for phasing out state subsidies to steelworks, something which had seriously disrupted the market.

By the end of 1985, capacity had been reduced by more than 30m tonnes from its 1980 level, and state subsidies had been banned.

But this was not the end of the problem. Many steel companies were still making losses, and worsening market prospects meant even the slimmed-down industry still had capacity to make more steel than would be required under the most optimistic forecasts of demand.

The arrival of a new industry commissioner, Karl-Heinz Narjes, brought a new approach. By nature, less of an interventionist than Davignon, Narjes determined to give the industry the short sharp shock treatment. He began a programme of gradually lifting the restrictions on free trading, with the idea that open markets would quickly show which of the remaining steelworks were efficient and which were not; and the ban on state subsidies would ensure the death by natural selection of the inefficient.

Narjes's plans, which gathered pace during 1986, were received coolly by most steel companies. Several of the biggest had at last returned to profitable operation, largely thanks to the quota system, and they feared a return to the red if deregulation were pushed through.

The big steelmakers' club, Eurofer, therefore offered an alternative: the mills themselves would draw up a plan to reduce the remaining excess capacity, on condition that protection in the form of quotas and import restrictions stayed in place until 1990.

Details of this scheme have yet to be finalised, but it appears that Eurofer may be able to eliminate around 15m tonnes of over-capacity. Narjes says this is insufficient to restore the industry to health, but it would still reduce the scale of the remaining problem.

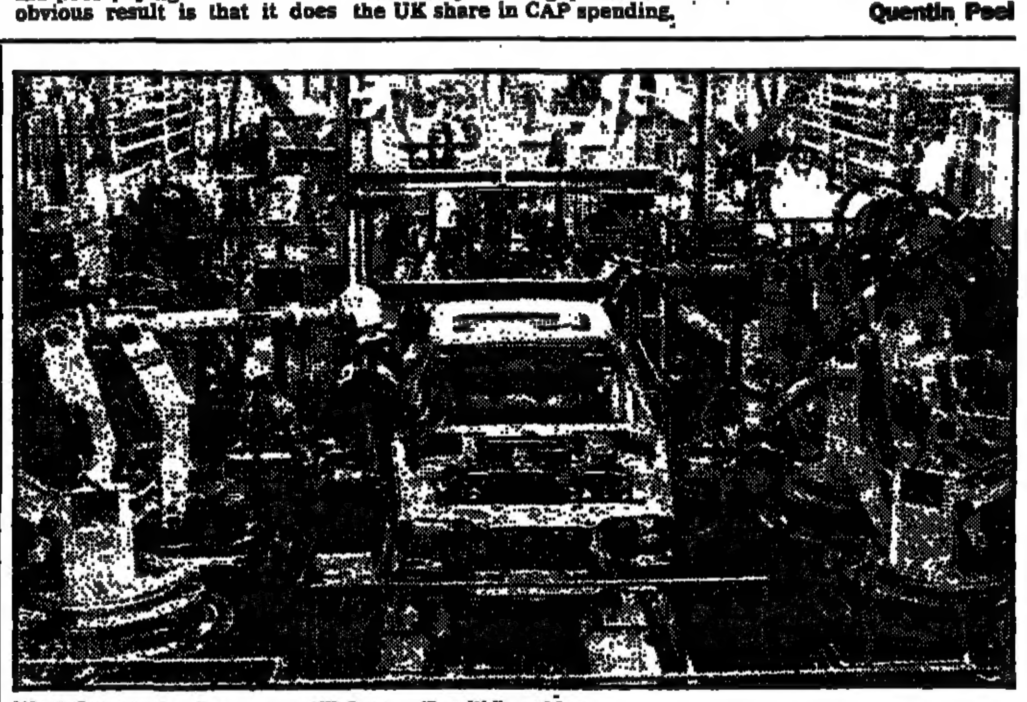
Without intervention by Brussels, it is doubtful whether the Community steel industry would have survived the crises of the past 10 years in anything like its present form. Comparison with the US steel industry, which has been without any intervention to promote restructuring, shows what might have happened in Europe: in the US all major companies have made huge losses and two are in bankruptcy proceedings, while excess capacity remains.

The steel crisis could also have split the Community between the free-trading Germans and Dutch and their allies, and the more dirigiste French and Italians. The Davignon Plan was credited with saving not only the European iron and steel industry but also the Community itself from serious divisions.

Thanks to Brussels' ministrations, the industry is now out of the intensive care unit, but plenty more arguing has still to take place about the schedule for its recuperation and eventual return to the outside world. It does not yet feel ready to face the rigours of the free market without its crutches.

Henry Cooke

Steel could so easily have caused a split in the Community.



West Germany's clean cars still face a "health" problem.

Motors

In need of a single market

ANYONE WHO lives in Britain every day sees one of the many non-tariff barriers that help fragment what should be a common market for vehicles in the European Community.

The British drive on the left. To sell well in the UK, vehicles need to have their steering wheels on the right and to have the gearstick arranged to fall neatly into the palm of the left hand.

Even if the Community achieves its objectives of harmonising technical standards for vehicles, there is nothing it can do formally about the British driving habit, because it pre-dates the Treaty of Rome by nearly 200 years.

There are many other examples of vehicle regulations and type-approval (safety tests) mechanisms, which vary considerably from one Community country to another. Vehicle design has to take all these into account, and the cost of the resulting complexity on the production line is enormous.

During the recent debate at the European Parliament about the motor industry, Mr Peter Beazley, who produced a report for the EMPs to study, said: "There has been little or no progress *in completing the internal market for automobiles.* Measures taken so far have been isolated, and there are few signs that an overall community strategy is being developed."

The European automotive industry already represents a major force for the design and development of new product and manufacturing technologies and, thereby, plays a very significant role in Europe's economy.

It contributes some 5 per cent to the Community's gross domestic product and provides direct employment to some 7 per cent of the Community's industrial labour force.

But the industry believes it could do better if there really was one *common market.*

The industry has been pressing the Commission to push for change where government measures have the effect of restraining or distorting demand for vehicles, or which distort competition in the Community.

It points in particular to price controls in Belgium and Luxembourg; excessively high taxes on cars (about 200 per cent of the landed price) in Denmark and Greece; and the 10 per cent special car tax in Britain, which has no equivalent in any other Community country.

Governments also cause distortion in the industry by backing their "national motor industry champions," often with large amounts of state aid. This can take many forms, of a direct and indirect nature.

The European Parliament took this point on board and suggested that any aid should be of specific, agreed duration and, not open-ended, and that it should contribute to precise Community objectives. State aid *to the motor industry should be* made more transparent and the Commission should take strong action to prevent abuses, it suggested.

Nothing shows more clearly how distortions can be caused by governments taking short-term political action to protect themselves in their domestic bases than the tangled mess over car pollution controls.

Forced by pressure from the "Greens," whose political popularity was growing steadily, the West German Government led a determined campaign to get Community agreement on car emissions.

A compromise solution was supposed to have been reached two years ago, but the wrangling continues. Denmark says the suggested standards are not severe enough. Greece wants Community aid to help clean up the damage done by pollution to the classical buildings in Athens before it will agree. West Germany has gone ahead on its own by offering financial incentives to buyers of "clean" cars.

The result: more distortion. For example, BMW says that 95 per cent of the new 7-series cars it sells in its domestic, West German, market have catalytic converters to cut unhealthy exhaust emissions. The remaining 5 per cent are cars sold to customers on the border with France. Cars with catalysts need unleaded fuel, but this is very difficult to find anywhere in France.

With the lessons of the emissions debacle still fresh in mind, the view generally held by senior executives is that there is not the slightest chance of harmonising all motor industry standards by the agreed date of 1992.

The European Parliament pointed out, however, that the long-term objectives should be to move away from the current position, where there are a number of national automobile markets, "to a European Community automobile market which is more truly integrated."

"Only then will the European automobile industry as a whole be more fully competitive at world level."

Kenneth Gooding

Employment in shipbuilding has dropped by more than a half in 10 years

Shipbuilding

Subsidies will not save jobs

SOMEWHERE WITHIN the ailing and *still-overweight* European shipbuilding sector, a leaner and more dynamic industry is struggling to get out.

That, at least, is the earnest hope of EEC politicians, industrial experts and yard managers, who have long given up hope that ship construction can return to anywhere like the heady and profitable levels of the early 1970s.

In those days, the tanker boom provided plenty of work for the established European and the *expanded Japanese* yards. Then came the oil crisis, a blow from which the large tanker industry has not yet really recovered.

Other sectors, such as dry cargo ships, which enjoyed a brief building boom in the early 1980s, were hit later. The rapid expansion of South Korea's huge and low-cost yards, as the industry in much of the rest of the world moved into crisis, added a vicious twist to the market.

Against such a dismal *background*, EEC policymakers have faced a tough dilemma. How much, if any, of the European industry should they seek to preserve, at *what* cost, and in what form?

The conventional wisdom is that high-technology ships *provide the best chance for the EEC* industry's future, rather than the big tankers and container ships that the Far East, with China moving up fast behind its Asian rivals, can build so much quicker and more cheaply. Thus European yards have been concentrating more on sophisticated offshore support vessels, gas ships, ferries and cruise liners, *flexible cargo carriers* with their own handling gear, and anything else which is not easily standardised.

But Asian yards, especially in Japan, are well capable of building such ships or a significant proportion of them, and the Koreans have been accelerating up the technology scale. Still, with worldwide shipbuilding over-capacity of 30 per cent or more—crisis-hit shipowners have been ordering less at a time of acute surplus—the dominant Japanese are cutting capacity further and even the Koreans, number two in the industry, have stopped growing.

The unhealthy state of the EEC industry, where employment and capacity have roughly halved in the enlarged *Community since 1975*, has prompted a lengthy and complicated discussion over subsidies, without which yards could not survive at all.

The result, late last year, was an agreement by industry ministers in Brussels to limit direct subsidies to 28 per cent of cost on large contracts and 20 per cent on smaller deals. This was less than the British or Italians had wanted, but more than West Germany, Denmark and the Netherlands had previously been prepared to accept.

Under the previous rules, member countries had been providing different levels of subsidy, with the UK giving just over 20 per cent, Germany 4 per cent (though yards benefit from regional help and aid to shipowners ordering domestically), and Italy and France 23 per cent. The subsidies are intended to enable EEC yards to meet the sizeable cost gap with the Far East. This is bigger for standardised vessels than for specialised ones with a higher skill and work content.

The EEC also wants to keep a closer eye on the various direct and more hidden ways in which countries make funds available to their yards. It hopes to achieve such transparency by monitoring subsidies and their effects.

But whatever the levels of subsidy, the industry is not expecting much help from the market. More job cuts will clearly be necessary—in the whole of western Europe, employment in the industry has dropped by well over half to around 120,000 in the past 10 years—and financial support will remain vital. Since yards are often in areas of high unemployment, such as England's North-east or the *North German coasts, decisions* about who survives have to be balanced against the social consequences.

But governments are becoming tired of propping up sickly yards at high cost, with no end to the industry's losses in sight.

Andrew Fisher

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FT

Textiles

Shaping up to the Far East

THE TEXTILE industry has a prominent place in the history of the efforts made to secure Europe-wide rationalisation in older sectors. It was probably the first to attempt some form of pan-European agreement and it was also probably the first to succeed.

By the middle 1970s it was clear there was a lot of overcapacity within Europe, with the major countries, the UK, France, Italy and West Germany all possessing large scale intergrated fibre, textile, and clothing industries. Oil price increases after 1974 had led to falling demand at a time when Far Eastern producers were becoming important on the international market.

The need, identified by *major fibre groups* in all these countries, was to concentrate on high-value-added speciality fibres and leave production of *run-of-the-mill* fibres to the Far East, where new capital formation allied to low wage rates gave definite commercial advantages.

The problem was how to get an agreement within Europe that would satisfy both the European Commission in Brussels and the American anti-trust laws. The Commission, geared towards a policy of open competition definitely frowned on cartels getting *together to carve up the market*, and Washington was watching the US companies operating in Europe, such as Du Pont and Monsanto, very closely to ensure its tight policies were not being evaded.

By the late 1970s the major European producers — Anicfibre, Montefibre, and Snia Fibre in Italy; Hoechst and Bayer in West Germany; ICI Fibres and Courtaulds in the UK; Fabelta in Belgium; and Enka, the West German production arm of the Dutch group Akzo — had got together under the aegis of CIRFS in Paris (French initials for the European man-made-fibres producers' body) and agreed cut-backs.

At this point, the Commission intervened; it did not like the anti-competition line such an agreement implied and vetoed the plans. This was a double blow because the Europeans had decided it would be politically impossible to incorporate the Americans in the undertaking. The only success *they had was to include* both Spain and Portugal, neither then in the Community, within their understanding.

CIRFS was forced to make a second attempt because it was clear the problem was not going away and this time it took the Commission into its confidence at every step. With considerable help from Mr Etienne Davignon, then a senior Community official, an agreement was knocked into shape and approved by 1982.

There had been some capacity reductions in 1978, which reduced the total by 400,000 tonnes. But, while Britain and France made significant cuts — by 41 per cent and 49 per cent respectively — and Germany contributed 20 per cent, the Italians actually boosted *their capacity by 8 per cent.*

The problem in Italy lay in a conflict between state and industry. The industry wanted to co-operate with their counterparts elsewhere but the state was anxious to put in new plant in the depressed regions, particularly the Mezzogiorno, as part of its policy of putting in industry in these areas.

However, with the help of the EEC a second round of cuts was prepared and eventually implemented: capacity was to be reduced from 2.9m tonnes in 1979-80 to 2.4m tonnes by 1984-85.

Even this cut was accompanied by hic-coughs, but eventually is succeeded. Western European industry has slimmed, is a lot more modern and considerably more efficient than it was a decade ago. It now produces fibres that the end-user, the clothing industry, and the ultimate user, the buyer of clothes, wants. The industry can make a profit and is able to compete with much of the competition from the Far East.

Ironically, the US has still to *come to terms* with both the Far East and overcapacity. American producers have been used to very long production runs for their internal market and have never really seen the need to trade up in quality and leave the *bottom end* of the market to the really cheap producers.

It is only in the past two years that they, too, see the need for some action. In this, they are five, perhaps 10 years, behind Europe.

Anthony Moreton

A slimmer textile industry is producing fibres the clothing industry wants

Ashley Ashwood

Energy

More efficiency sought

THE STEEP fall in crude oil prices last year brought major short term benefits to the European Community as a whole, but it revived the anxieties of planners about the region's vulnerability to future disruptions of supply.

When crude oil prices plunged from $30 per barrel in the autumn of 1985 to about $8 last July, it was easy to forget the feelings of near panic which resulted from the two oil shocks of the last decade.

The quadrupling of oil prices in 1973-74 and their tripling in 1979, caused long queues at petrol stations and a scramble to build up stocks coupled with more profound fears that the Western economies themselves would be severely damaged.

The fears that the civilised world's economies were precariously balanced upon the good-will of a few Arab producers were so acute at the time that it is surprising more flags were not run out when the oil *price started to collapse* last year.

One reason, at least, was the realisation that, in spite of the problems of *inflation, recession* and unemployment, the rise in the oil price had in one respect served the advanced economies well.

It had stimulated a much bigger swing towards energy conservation and *substitution* for oil than most people believed possible.

Between 1973 and 1983 the *European Community countries* cut oil imports by half. In 1983 it is estimated that increased efficiency in the use of energy was saving the equivalent *of 250* tonnes a year of oil, while the higher oil price helped to stimulate production from the North Sea, to a level of 130m tonnes. At the same time increased reliance of nuclear energy and *natural gas replaced about* the same amount of oil imports.

In the 10 years to 1983 the efficiency with which all *forms* of energy was used improved by more than 20 per cent. However, member countries have decided that this is not enough, and a further improvement of 20 per cent must be achieved by 1995.

The reason for this *is* clear from the latest estimates by commission staff in the energy directorate (DG XVII) about the possible effect of lower oil prices on demand, supply and imports during the next decade.

These estimates were based *on the scenario of continuing* low oil prices, rising only to $18 per barrel in 1986 prices by the middle of the next decade. The assumption *of continuing* weakness in the oil market, which now looks entirely plausible, leads to a somewhat alarming conclusion for the development of the EEC's net oil imports. Imports would have to rise by about 30 per cent by 1995 from their level in 1985 to about 440m tonnes a year. This would represent about 80 per cent of the *community's consumption*, compared with about 70 per cent in 1985.

Perhaps a more telling comparison *is with estimates for* the EEC's oil balance based on earlier assumptions that the real oil price would continue to rise *steadily* until the end of the century. This estimate in the Commission's report *Energy 2000* assumes an *oil price* of $38 per barrel in 1986 prices by the year 1995.

On this assumption, which *was the common wisdom little* more than two years ago, it is estimated that EEC oil imports in 1995 would be about 380m tonnes per year. *This is* 14 per cent more than the 1985 level but about 13 per cent less than the level of imports which would be expected by 1995 if the oil price remained low.

The difference results mainly *from the lower consumption of* oil that could be expected in a world of high prices, though, at a real price *of around* $30, activity in the North Sea would be significantly greater than with prices in the range $15 to $18 per barrel.

The reason that this matters is familiar to all who have glanced at a map of the world's oil reserves: about three-quarters of the world's oil reserves are owned by members of the Organisation of Petroleum Exporting Countries. About half the world's total reserves are in the Gulf. By 1995, known reserves of oil in the US and the North Sea will be running down, so the West will again become heavily dependent on supplies from the Arab world.

This provides all the ingredients for another oil shock. Whether it happens or not, it is a near certainty that at some time before the end of the century oil will become much more expensive again.

The response of the Commission has been to renew its efforts of the last 10 years to *reduce dependence on oil*, by:
- Promoting conservation and more efficient usage of energy;
- Continuing the move away from oil *as a fuel for electricity* consumption;
- Giving cautious support to the continued exploitation of nuclear power in spite of the political difficulties, which the accident at Chernobyl in the USSR intensified;
- Trying to increase the share of coal lignite and peat from the present 23 *per cent* of EEC *energy consumption*;
- Continuing the development of "alternative energy" sources, from windmills to biomass. Although the contribution of these sources is likely to remain relatively small, it is estimated that they could contribute 5 per cent to Europe's energy needs by the end of the century.

In *addition*, the EEC *intends* to continue the long uphill battle against protectionism in the energy field, *to* persuade governments to rescind *laws* and taxes which impede competition and to try to give more emphasis to the influence of trade and market prices. Even in gas and electricity, trade across European frontiers has been *increasing in recent years.* The commission believes that greater reliance on market forces would promote more *efficient and flexible use of energy.*

As a result of the enormous shifts which have taken place in the last 10 years in response to the fall in oil prices, politicians have given a readier ear to this proposition. But there is a long way to go and, since the development of new energy projects is measured in decades, not much time is left.

Max Wilkinson

Primary energy balance 1985 and 1995

(million tonnes oil equivalent)

	1985	1995 High oil price scenario	1995 Low oil price scenario
Total:	1 048	1 192	1 205-1 255
Primary demand			
Oil	484	496	520-560
Natural gas	*184*	*200*	*195-205*
Solid fuels	238	286	265-295
Nuclear	124	188	179-185
Hydro, etc.	18	24	22-23
Domestic production			
Oil	148	114	(100)
Natural gas	126	112	*not estimated*
Solid fuels	173	192	not estimated
Nuclear	124	187	179-185
Net oil imports	335	382	420-460

Source: The European Commission

Chemicals

Price-fixers watched

TO THE chemical industry, the European Commission is, above all, a policeman, standing in the way of two things the industry has tended to do since time immemorial—form cartels, and pollute the surroundings.

Pollution, of course, is a topical problem, since this is the European Year of the Environment. The Commission is an important source of anti-pollution legislation, and was less than pleased when the accident at the Sandoz plant caused toxic chemicals to leak into the Rhine, the river which separates the Community's two largest partners, France and Germany.

The question of cartels and competition policy is more complex. Not for the first time in recent years, the Commission is presently poring over documents acquired in dawn raids of *chemical companies around* Europe, in search of evidence on price-fixing.

The alleged culprits this time are producers of polyethylene and pvc, eight of whom had unexpected visits from Commission inspectors in January. The last time this happened, in 1983, the upshot was the imposition of heavy fines three years later on 15 producers of polypropylene, including very large companies such as ICI, Hoechst and Shell.

Reasons for price-fixing have been evident enough. The collapse in the market for petrochemicals in 1980, the sharpest ever known by the *industry*, plunged a number of bulk plastics—pvc and polypropylene included—into losses from which they have only reccently emerged.

Not all producers have been rigging prices, they have all been anxiously seeking to reduce capacity in line with supply. This essential task has been made harder by the *fact* that to collude directly with other producers would be against EEC law.

*In Japan, by contrast, the cri*sis in petrochemicals was dealt with relatively quickly, with companies getting *together* under government pressure and hammering out agreements on who should close down plant. In Japan, too, this was against the law, so special legislation was passed to make it allowable.

There are those who argue that *European competition* policy could learn from this. Professor Joseph Bower of Harvard Business School, for example, has recently published a book—"When Markets Quake" — which argues strongly for more direct intervention in the chemical industry by international bodies such as the Commission.

Professor Bower is one of a number of US academics who believe that old-style anti-trust policy has been overtaken by events. It is not so much a problem of dominant companies putting up barriers to market entry, he argues. More important are the barriers to market exit, whereby old-established producers, looked *into a loss-making* sector, cause economic damage by trying to beat each other to death.

"Industry directors are saying we need restructuring and fewer competitors, but the competition directorate is *operating* in a *different* world," he says. "These are very difficult circumstances, and we ought to free up the creativity of companies' managements, see what they can devise, and then prosecute later if necessary. The bureaucrats *have no evi*dence for their model of the world—*they* just recite what's in the Bible."

Nor can *this simply* be styled the Japanese model. "If the model of unfettered competition between fragmented units doesn't correspond to what we actually see, we need to look for a co-operative model instead. That's common *sense*."

By this argument, the Treaty of Rome is an essential tool. Professor Bower says: "There's been a lot of discussion of the need for strong cross-national companies, if the European economy is to develop. *So far* in petrochemicals, most of the major rationalisation moves have been within countries. There is a trend to national rather than international champions, and that isn't healthy for Europe."

Tony Jackson

Small business

Securing tomorrow's jobs

SMALL BUSINESSES are being thrust increasingly close to the centre of the EEC's political stage—and the signs are that they will not fade easily back into the wings.

Member states of all political colours are pinning greater importance—some critics say too much—on small and medium-sized enterprises as a key to job and wealth creation, at a time when EEC unemployment remains stubbornly high.

Gone are the days when promoting the sector was seen in Brussels as a fashionable but passing minority cause. As little as five years ago, the small businessman was seen as a worthy individual, deserving of some limited legislative support, but not exactly a possible key to the elusive riddle of job creation.

While still far from being seen as the future for Europe's industrial competitiveness, the small businessman's star has now risen higher in the EEC than ever before.

The decline of Europe's manufacturing industries in steel, shipbuilding and cars in particular, has driven home the fact that tomorrow's jobs are not going to come from large, traditionally managed companies. Instead, the flourishing service sector, where small management units have thrived, seems to hold out the hope for job creation.

Added to this is the growing public realisation of the disadvantages that small businesses in the Community face, compared with their US or Japanese counterparts. The myriad of technical and fiscal barriers to free trade between member states, which still exist, mean that the average small enterprise in the EEC tends to be tied to a national market a fraction of the size of that available to its transatlantic counterpart. Meanwhile, the burden of business regulation still rests disproportionately heavily on the shoulders of the small man in Europe.

The Community has placed a high priority on tackling both of these problems. Its campaign to create a free internal market for goods and services by 1992 is, admittedly, not aimed specifically at small businesses, and has also run into delays; but it does promise to make a big impact on untangling the EEC's market fragmentation.

Another, much more specialised move, the so-called Venture Consort scheme, has already made a promising start in providing subsidised risk capital for cross-border Community enterprises, such as European Silicon Structures, the pan-European custom microchip company headed by Dr Robb Wilmot, former chairman of ICL, the British computer company.

Unlike the internal market programme, the European Commission's attempts to reduce red tape do have a specific small business focus. The worry here is that, even if a minimum of business regulation is needed to protect consumers, workers and suppliers, a surfeit of poorly co-ordinated rules can strangle growth and job-creation potential.

Deregulation policy is in the hands of a small task-force set up last June, within the Commission, to scrutinise the business costs of new and existing business regulations. It also assesses the value of job-creation measures, and tries to co-ordinate the Commission's approach to small businesses.

Under Mr Abel Matutes, the Spanish Commissioner with special responsibility for small businesses, the task-force now submits analyses of the costs to companies of complying with each new Commission proposal.

Deregulation policy has been most strongly promoted by the UK Government, exposing it to criticisms from left-wing politicians that cutting red tape makes a poor substitute for more interventionist—or costly—job creation measures. But the existence of the task-force marks a new sensitivity by the Commission that it should be looking at the costs of its proposals as well as busily churning out new legislation.

The new enthusiasm for the small businessman's cause at Community-level, of course, mirrors the concerns of the member states themselves. The UK has been possibly the most active promoter of the sector, with its establishment in 1980 of the Unlisted Securities Market, the first regulated market for small company shares in Europe, followed only last year by a *third-tier market in London* for businesses too small and speculative even for the USM.

France and the Netherlands have followed suit with their own highly active junior stock markets, while unregulated systems for buying and selling small-company shares have flourished in most other member states.

These markets have played a critical role in boosting small businesses' public image and improving their access to equity capital. They have provided a publicly-visible way for entrepreneurs to cash in on the rewards of their toils. At the same time, they have enlarged the liquidity of the venture-capital industry by allowing the backers of speculative, unquoted ventures to value or sell their equity stakes on flotation or providing an "exit" route in risk-investment jargon.

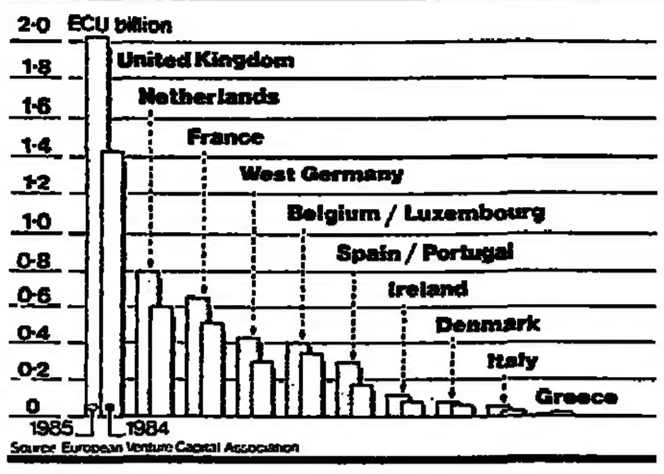
All this has made possible a spectacular boom in the availability of venture capital, based mainly in the financial centres of London, Paris and Amsterdam. According to the European Venture Capital *Association*, an organisation set up by the Commission to promote cross-border investment, the amount of risk equity available in Europe rose by 38 per cent from Ecu 4.8bn, in 1984, to Ecu 6.6bn the following year.

This hectic expansion in venture capital has, of course, been accompanied by a number of embarrassing failures, chiefly among start-ups in the once fashionable high technology sector. Accordingly, the industry's focus has been increasingly on providing finance for expanding companies with proven track records, rather than hyper-speculative start-ups, thereby exposing it to charges that the seeds of tomorrow's successful ventures are being inadequately catered for.

Whether all this is enough to help Europe's small business sector become as formidable as its counterparts in the US or Japan is still an open question. Both Washington and Tokyo run more tightly defined small-business policies than any EEC government. But sceptics, as one expert points out, might well ask whether a *successful* economy is the cause, or the result, of a flourishing small business sector.

William Dawkins

Venture capital



Source: European Venture Capital Association

The internal market

Stubborn barriers delay the plan

THE EUROPEAN Community's campaign to dismantle barriers to free trade between member states is central to its founding fathers' vision of a truly common market.

As such, no member state would care to oppose at least the broad idea of opening up frontiers to allow European enterprises to have free rein across a single international market many times the size of their own. Yet, it is less easy to get governments to accept the details of breaking down the often politically sensitive trade barriers that still prevent Community industries from achieving the economies of scale available to their US or Japanese competitors.

Conflicting national interests over issues ranging from the purity of German beer to the defence of national airlines are *one reason* — but *not* the only one — why the Community's internal market programme is now well behind schedule.

"The problem is that people have not even begun to understand the impact of an internal market," complains Viscount Etienne Davignon, former European industry commissioner. "They think of it as just a bigger market for export, rather than Lufthansa flying from London to Birmingham."

The campaign is embodied in the European Commission's June 1985 white paper on completing the internal market, which outlines some 300 barriers to trade to be dismantled by the end of 1992. They include the removal of physical barriers, like internal frontier controls, technical obstacles like incompatible industrial standards or restrictive nationalistic procurement practices and fiscal distortions like widely varying Value Added Tax rates.

The proposals could have a wider impact on the lives of the Community's 320m citizens than almost any other area of EEC policy, impinging on subjects ranging from the arcane details of fork lift truck pedal layouts to the personal freedom to live and work in other member states.

"Everything hangs on it," says Lord Cockfield, the British Commissioner responsible for the white paper. Unless you get a unified European economic zone, programmes for science and technology have no base. Similarly, monetary policy, freedom of movement of capital, an expanding role for the European Monetary System and wider use of the Ecu all depend on the completion of the internal market."

Yet, the far-reaching nature of the programme has presented it with equally far reaching opportunities to get bogged down. So it is that the Council of Ministers has to date adopted only 56 of the white paper's proposals — less than a fith of the total — as against the 136 decisions it should have made by now to keep the 1992 target in reach, according to the Commission.

Some 31 white paper proposals were adopted last year, most of them during the final hectic two months of a UK Council Presidency which had staked a great deal of credibility on showing progress on the issue. Another 114 proposals are waiting in the Council for more discussion at working level or by the 12 member states' permanent representatives to the Community. If the new Belgian Presidency follows the UK pattern, it is unlikely to bring many of these to fruition until near the end of its term in June.

But if member states are failing to make decisions as fast as they should, then the Commission, too, has fallen behind in churning out proposals to feed to the Council. The Commission was scheduled to have produced just over 200 proposals—two-thirds of the programme—by the end of last year, but has in fact managed just 170.

Faster decision-making should be made possible by the introduction of more majority voting in the Council by the Single European Act, though provisions in the act for two consultations with the European Parliament instead of one could just as easily become a new brake.

Yet logging the speed of the internal market can be misleading because it progresses in erratic fits and starts. For example, the white paper's 70 plant and animal health measures—14 adopted so far—might be held by some to be relatively unimportant to boosting the Community's international industrial competitiveness.

On the other hand, some individual decisions mark big leaps. There are broad policy moves, like the so-called new approach

Continued on Page 12

Profile/Viscount Etienne Davignon

A stamp of steel on Europe's map

VISCOUNT Etienne Davignon, the mercurial and urbane former European Industry Commissioner, these days has something of the air of a guru.

Retired just over two years ago from the Commission post which gave him the reputation of being the EEC's Mr Fix-It, Viscount Davignon has now moved to an eyrie on the top floor of the Société Générale de Belgique (SGB), from where he can survey in elegant seclusion the classical layout of Brussels' central park stretched out below his window.

It is an apt metaphor for the way in which the Berlaymont's former chief wheeler-dealer can now look down on the Community with the mixture of sadness and amused irony that is a privilege of a man who has stamped his own personality so vividly onto the European map.

Sadness, because he feels that the process of European economic and trade integration as envisaged by the Community's founding fathers, is staggering on increasingly slowly. The irony, he argues, is that broad political acceptance of the EEC's value has never been higher.

"The opportunities are there—and lack of enthusiasm is not an obstacle. The problem is, so to speak, that nobody is milking the cow. If you have the best cow in the world and nobody milks it, you don't get any milk," says Viscount Davignon.

In other respects, he believes that the Community's founders would be saddened by the fact that it is more decentralised in its decision-making than they hoped, and more bogged down in domestic political haggling, but that they would be cheered by the solidity of its place in European life.

"The least we can say is that nobody wants to get rid of it. It is ironic that no political party now gets any mileage out of being pro-European, because all its competitors are likely to be pro-European," says Viscount Davignon.

For much of his career, the 54-year-old Belgian aristocrat has stood close to the centre of power, yet tantalisingly just outside it. As an executive director of SGB, Belgium's largest financial and industrial conglomerate, he has had a hand in running what is thought by many to amount to the country's shadow government, though rather more stable than the real one.

Viscount Davignon cut his formidably sharp negotiating teeth as policy director for the Belgian Foreign Affairs Ministry, where he pioneered a new system of informal debate between senior officials that later formed the blueprint for the present EEC system of political co-operation discussions, where the 12 foreign ministers work on ways to co-ordinate policy.

Becoming the first chairman of the International Energy Agency in 1974, Viscount Davignon's repeated calls to France to join the agency were a mark of the irrepressible style which no doubt helped him to earn the job. But crucially, this also earned him the enmity of the then President Giscard d'Estaing, who was later to be the main block to his bid for the Commission presidency.

He began the first of two four-year terms as Belgium's EEC Commissioner in 1977, controlling the newly merged portfolios of industry and the internal market, and later taking on energy and technology.

In the latter, Viscount Davignon was instrumental in building the Esprit joint information technology collaboration project, which is now fighting for its future funding.

But it was his performance in steel that brought Viscount Davignon's reputation to its climax. The Davignon plan for assisting Europe's steelmakers to rationalise their way out of the worst recession in the Community's history got off to a rocky start when the companies started disobeying the rules. But it eventually succeeded in cutting some 30m tonnes of capacity out of an industry bloated with overproduction.

Viscount Davignon: "Nobody's milking the cow"

His latest move to the board of SGB was perhaps less glamorous than some had earmarked for him. However, in Belgian terms, few jobs could be less influential—and it has brought with it a directorship of a suitable trans-national venture.

William Dawkins

External trade

Gatt will test the united front

EXTERNAL trade policy has generally been regarded as one of the more successful spheres of EEC activities.

The EEC has not only managed generally to organise a common front against what is generally perceived in Brussels as an onslaught of attacks on its trade policies from the US. It also speaks with a single voice in the framework of the General Agreement on Tariffs and Trade (Gatt). And it has managed to evolve a common approach for dealing with the thorny problem of Japan's huge export surplus, even if this has yet to produce much in the way of results.

All this is in marked contrast to the difficulties experienced by the EEC in reaching a consensus in other areas such as foreign policy and monetary affairs or even its own internal market.

In external trade similar constraints apply as in these other areas. A common view must be formed among 12 member countries with often widely divergent interests and priorities. Once such a view is formed, the scope for the Commission to negotiate with outside trading partners is limited, because any concessions could easily undermine the hard-won internal consensus.

This is an institutional problem the EEC has always faced. Now its ability to maintain a common stand is likely to be put increasingly to the test as external trade pressures increase and new Gatt round gets under way in Geneva.

Earlier this year the EEC faced one of its most difficult trade negotiations ever as a trade war loomed with the US over the latter's demand for compensation for grain exports to Europe lost because of Spain's accession to the Community. In the event, the crisis was averted though a series of last-minute negotiations between Mr Willy de Clercq, EEC External Relations Commissioner, and Mr Clayton Yeutter, US Trade Representative.

Both sides admit, however, that agreement on the grain dispute was a very close-run thing. On the EEC side, it was possible only to resolve the dispute because the Commission negotiators managed to obtain for themselves an unusual degree of negotiating freedom, producing a solution that had subsequently to be ratified by member governments.

This is a much more flexible approach than that adopted by the EEC in the past, and one on which Commission officials say they may not necessarily be able to rely on in the future, especially now that agriculture has been dragged to centre stage in the new Gatt round.

The EEC has always been chary of discussing agriculture in the Gatt round, not least because the talks could act as a focal point for international opposition to its system of export subsidies for agricultural products. Implicit in the aims of the Gatt round is reform of the Common Agricultural policy, which is bound to be highly controversial within the EEC itself and could split the Community apart.

So far the EEC has attempted, with some degree of success, to fight off US pressure for agriculture to be put on a fast track in the Gatt round. The hope is that this will allow time for political support for reform of the world agricultural trading system to grow, both within and outside the Community, as public opinion comes increasingly to focus on the financial costs of agricultural support.

Already such pressure for reform is growing within the EEC. In the medium term, that could take some of the heat out of the agricultural debate in the Gatt, allowing some meaningful reforms to be negotiated in the later stages of the round when a calmer atmosphere should prevail.

Nonetheless the wide-ranging differences of perspective on agricultural reform, within the EEC itself could still impose serious strains on the unity of the EEC during the Gatt negotiations, as France remains broadly opposed to agricultural reform while some other members, such as Britain, actively support it.

Institutionally the EEC's need to find a common position on matters such as agriculture is both a strength and a weakness. If the unity is strong it can make of the EEC a powerful voice in international trade negotiations. On the other hand, the need to accommodate strongly held opinions of a minority of countries can also lead to a "lowest common denominator" outcome in which the EEC appears inflexible in negotiation and unable to espouse movement for reform and change.

Similarly, the consensus approach has led the EEC to take a much less adventurous position on international trade disputes than that adopted by the US. Whereas the US has taken a strong and autonomous stand in disputes with its trading partners over recent years, the EEC has preferred to shelter behind the legal framework of the Gatt. This is an easy approach to sell to its membership, but not necessarily one that produces speedy results.

In the recent grain war with the EEC, for example, the US announced that it would retaliate against the Community without waiting for a Gatt adjudication. Where the EEC has a dispute with the US, as currently over the imposition of an oil tax that discriminates against imports, it takes the matter to the Gatt without first retaliating. Only if the Gatt finds that the US is in the wrong would the EEC consider action.

The Gatt disputes procedure is notoriously lengthy and the net result is that the EEC appears at times to have relatively little bite to its bark in trade matters. It has made little headway through this route in prising open Japanese markets to European exports.

Earlier this year, the EEC took Japan to the Gatt in an effort to force the Nakasone administration to make further adjustments to its taxation regime on wines and spirits, which, the EEC alleges, discriminates against European whisky and brandy. This was the culmination of a long-drawn out campaign on the issue which is regarded by the European Community as a test case for its efforts to open up Japanese markets. Yet the dispute is now submerged in the Gatt and, in the public perception at least, the momentum seems to have been lost.

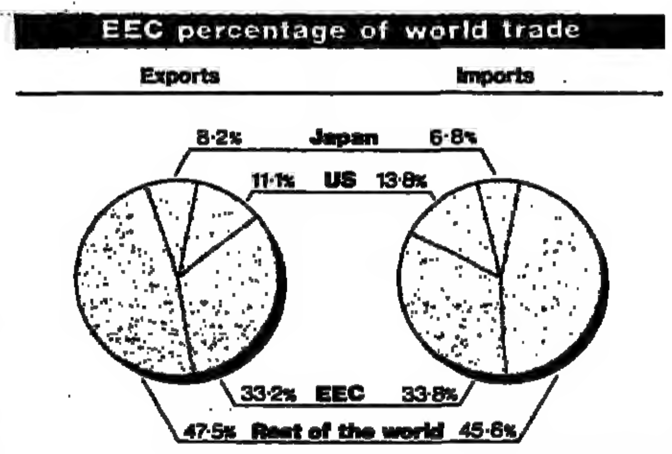
Mr de Clercq replies that, in practice, the US approach has been no more productive than that of Europe. "The US makes much more noise, more triumphant statements," he says, but the results are modest. Last summer it negotiated an agreement with Japan, designed to prevent dumping of Japanese semi-conductors in the US; but barely a few months later it had to admit that the agreement was not working.

The EEC's adherence to the Gatt does have one important advantage, however. At least in the industrial field it puts the Community firmly in the camp of those who believe that trade problems should be resolved in a fair and legal way. Whether this means it will be an effective force for free-trade in an increasingly protectionist world over the next few years remains to be seen.

The determination to do so appears to have got stronger as the going has got tougher. "Since the US started behaving like Rambo, they've done more to federate the EEC than 100 speeches," says Mr de Clercq. "The awareness in the EEC of the need to speak with one voice has grown and is now much greater than it was two or three years ago."

Peter Montagnon

EEC percentage of world trade



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Electronics is the problem area

FEW INDUSTRIAL policy issues have pre-occupied European politicians, businessmen or academic researchers more intensely during the 1980s than the challenge of adapting to the new technologies and harnessing them to generate economic growth and competitiveness.

Anxieties about "technology lag," a subject of keen debate during the 1960s, have re-surfaced with a vengeance in the past few years. Talk of a "crisis" in Europe's technological performance has prompted a variety of actions by national governments and the EEC to try to stimulate a revival of competitiveness.

How justified are Europe's fears? Spending on research and development, one common gauge of technological performance, is proportionately about the same in the major European countries as in the US and Japan, though both the sources and uses of funds differ considerably.

However, other statistics suggest that, overall, Europe gets less back in commercial returns from such investments than do its major trading partners. For example, between 1970 and 1984, its total share of OECD area exports of high-technology fell from 33 per cent to 26 per cent, while imports' share of high-technology demand increased from 25 per cent in 1970 to 42 per cent in 1980.

All such measures are, of course, subject to definitional arguments about what constitutes high-technology. Furthermore, the apparent decline in Europe's technological competitiveness is not manifested across the board. It has managed to hold its own internationally in a number of major industries, including pharmaceuticals, chemicals and mechanical engineering.

In aerospace and defence technology, it may still run a distant second to the US but is a good way ahead of Japan. The Airbus has achieved an impressive international sales record, admittedly with the assistance of substantial government subsidies, while the Ariane space launcher has emerged as a credible alternative to the ill-starred American shuttle.

Where Europe undoubtedly has problems, however, is in electronics and information technology. In these sectors, it has never attained a position commensurate with its economic importance and its performance has continued to deteriorate. European suppliers account for a mere 10 per cent of the world microchip market and are minor league players in computing. The only electronics products in which Europe's external trade is roughly in balance are telecommunications equipment—and there largely because most countries impose restrictions on imports.

The heightened sense of concern in Europe about its technological future is attributable to three principal factors:

● The sheer breadth and scale of the impact of information technology. Unlike any other technological advance this century, it is profoundly influencing developments in almost every area of industrialised society, shifting the pattern of business competitiveness and accelerating social change.

● The growing perception of advanced technology in strategic terms. Uncertainties created by US export controls have persuaded several European governments of the need to maintain self-sufficiency in sensitive "core" technologies, while President Reagan's Star Wars programme was viewed, initially at least, as likely to drain scientific talent away from Europe.

● Increasingly fierce international competition has underlined severe structural handicaps to Europe's position. Protected home markets, differing standards and the legacy of "national champion" policies have produced a highly fragmented industry in which even the largest companies lack the economies of scale needed to compete effectively.

All three factors have conspired to generate renewed impetus behind collaboration as the solution to Europe's problems. The first major step in this direction, the EEC's Esprit programme of joint research between industry and universities, was taken in 1984 and has been followed by a stream of other Community initiatives such as Race (broadband communications) and Brite (manufacturing technology).

In addition, collaboration was widened beyond the EEC framework last year with the launch of Eureka, which involves about 20 countries. Originally a French-inspired response to Star Wars, Eureka has evolved into an attempt to stimulate joint development of commercial technology products and services by companies in different European countries.

Separately, bilateral alliances have sprung up between major companies. Philips of the Netherlands and Siemens of West Germany are working together on Mega-project, a plan to develop advanced memory chip technology, while Britain's ICL and France's Bull have established a point research centre with Siemens in artificial computer intelligence.

The objectives of these initiatives differ in detail, but behind them all lies a recognition that the development costs involved in many areas of high-technology are now so high that few companies can afford to go it alone. It is also hoped that encouraging companies to seek alliances across national boundaries, will produce a new and more flexible industrial structure.

Both Esprit and Eureka place much emphasis, too, on the development of common standards for new products and services, particularly in the field of digital communications. Europe's widely differing standards have been widely identified as a key obstacle to the creation of a single market.

All these steps clearly mark an advance beyond the insular and nationalistic attitudes which characterised European approaches towards information technology until a few years ago. But do they go far enough, and have they really identified the root causes of Europe's weaknesses? Many analysts remain to be convinced.

Some argue that politically-sponsored intra-European collaboration is a second-best alternative to cross-frontier mergers and acquisitions, which could offer a more efficient means of pooling resources. However, that route is still largely blocked by the continued tendency in many countries to view even the weakest indigenous competitors as strategic assets, to be kept out of the clutches of foreign predators.

Such attitudes have, inevitably, perpetuated duplication of capacity in a number of industries, most notably public telephone exchanges, though the recent acquisition by France's CGE of control over ITT's European subsidiaries may signal the start of a long overdue rationalisation in this sector.

There is also a good deal of evidence that European efforts to promote stronger industries have paid insufficient attention to stimulating demand. Per capita European consumption of microchips, computing equipment and telecommunications products and services amounts to barely two-thirds of the US level.

The handy excuse of intra-European trade barriers does not fully explain this discrepancy. Such impediments are undoubtedly a problem in telecommunications but they hardly exist in microchips, software and most types of computer equipment, where US and Japanese suppliers have carved a broad swathe through European markets.

A number of recent analyses suggests that Europe's low consumption reflects a generally more conservative attitude to innovation than prevails in the US and Japan. Lack of aggressive competition, restrictions on the diffusion of new technology throughout the economy, inadequate financing and a shortage of engineers skilled in applying new technologies are all cited as contributory factors.

On these diagnoses, Europe's problems risk creating a vicious circle. Handicapped by sluggish demand "pull" in their home markets, Europe's high-technology companies are themselves deprived of many of the incentives to innovate felt by their American and Japanese competitors. Technical collaboration and standardisation are likely to offer partial solutions to these underlying issues, which appear to be predominantly political and social in character and may respond only to longer-term treatment.

On the positive side, however, an increasing number of European companies appear now to recognise that the competition they face is truly global and that addressing it successfully calls for commercial horizons which extends well beyond European markets.

Olivetti and SGS-Ates of Italy, Philips and Siemens are among those which have begun to move aggressively to expand their international operations, particularly in the US. At the same time, many of them have shaken up their internal organisation and management methods to emphasise entrepreneurial agility, improved efficiency and quicker respose to the market.

The overall goal of improving the climate of innovation in Europe seems likely to preoccupy policymakers for some years to come. But there also some encouraging signs that a more enterprising performance by individual companies need not wait on its achievement.

Guy de Jonquieres

Hugh Routledge

Electronics Italian-style: circuit production at an Italtel plant in Milan

Stubborn barriers delay the plan

Continued from page 11

to setting industrial standards. This aims to dismantle a classic non-tariff barrier by setting broad limits for performance and safety and leaving the minutiae of technical detail up to member states so long as they recognise each others' rules.

This has spawned two proposals on pressure vessels and toys, with another on machine safety due to follow soon. The same idea lies behind Commission plans for simpler food laws to ensure the marketability in the EEC of any product that meets minimum standards—a sensitive issue which has already drawn cries of outrage from German brewers keen to uphold their local purity laws.

Other encouraging steps forward on the broad policy front include a directive passed late last year to introduce more open competition for public supply procurement, now followed by a proposal to liberalise public works contracting, an activity which represents 9 per cent of the EEC's gross domestic product. Both are attempts to tighten up earlier regulations which have been consistently ignored.

Professional qualifications, freedom of capital movements, telecommunications standards and pharmaceuticals testing are other key areas where the Commission is making a broad assault on the internal market.

Inevitably, the barriers that pose the most intractable questions of national interest are being left until last. Perhaps the most sensitive of all is the Commission's plan to bring individual member states' excise duties and VAT rates roughly into line, due to be the subject of detailed proposals by the Brussels authorities in the next few weeks.

Lord Cockfield holds this as a fundamental key to the internal market, because it has wide implications. The abolition of frontier taxes would clearly make it possible to scrap frontier controls of all kinds, and believes Lord Cockfield would spark off an inexorable process of economic integration driven by market forces rather than by Brussels.

Yet, the prospect of finance ministers ceding a major part of their revenue raising powers to the Brussels bureaucracy is remote, especially in the case of Denmark and Ireland. Moreover, the extra costs possibly involved in clearing Vat through a central Community office rather than through national customs and excise is bound to raise objections from the budget disciplinarians, France, Britain and West Germany.

As in air transport—another logically vital component of a free market—or the environment, the fiscal approximation plan looks set to be a new example of how national interests are providing a serious brake to decision making.

Ultimately, the resistance comes down to a business community that has not yet worked out whether or not it will really benefit from the creation of a free EEC-wide market, believes Mr Riccardo Perrissich, the Commission's deputy director general for the internal market and industrial affairs.

"Those who decide whether we meet our target are not so much the Governments or European institutions as the firms themselves," he says. "The message is filtering through better than I expected, but most of them are still undecided. They know they may gain on some grounds but lose on others."

William Dawkins

In place of passion

Continued from page 1

liberalised internal market.

But it is hard to believe that it is prudent for the Commission to claim that the Community budget should grow by 5.8 per cent per year in constant prices for six years, or to call for a doubling of the structural funds at a time when much opinion doubts whether such funds by themselves confer any durable economic benefits

Perhaps one reason for this ideological *volte-face* is that the Commission, or at least the Commission under a socialist President like Mr Jacques Delors, is reluctant to accept the renunciation of activism, not to mention the right-wing connotations, implied by the internal market programme, not least because it carries with it a reduced role for the Commission.

Mr Delors no doubt has his eye on his political future in France, once he completes his term in Brussels. But it may also be that Mr Delors has an anachronistic view of the centre of gravity of the European enterprise and the role which can be played in it by the Commission.

For many years European integration was essentially about economics, firstly because it was a rational response to the devastation of World War II, secondly because it was a safely anodyne way of achieving political ends. No doubt there is much still to be done in economic integration: the internal market, the European Monetary System, the co-ordination of macro-economic policies, big-ticket research and development projects, to name but four.

But it may be not merely that the missing dimension of politico-security integration is the one which needs most attention, but also that further progress in economic integration will be contingent on progress in politico-security integration.

With Mr Reagan in the White House and Mr Gorbachev in the Kremlin, politico-military issues are liable to dominate the anxieties of European governments for some time to come. Unfortunately, the structure of the European institutions we have inherited does not make it easy to handle these anxieties in common. Western European Union may have a role to play, but that role has yet to be invented and given credibility. The European Community, by contrast, could easily have such a role, if it were not debarred by the objections of the neutral Irish and the awkward Greeks.

Nevertheless, it seems safe to asert that the European enterprise will not be solidly based until it can hold the balance of political and economic integration.

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Inward investment

US arrivals spur mobility

"FIFTEEN years from now it is quite possible that the word's third greatest industrial power, just after the United States and Russia will not be Europe, but *American industry in Europe*." Thus began The American Challenge by Jean-Jacques Servan-Schreiber which, in 1967, warned Europe of the danger of colonisation by transatlantic multinational companies.

Its gloomy forecast was clearly exaggerated. American industrial might no longer excites quite the awe it once did, either at home or abroad, and some big US companies which were active in Europe 20 years ago have retrenched their overseas operations. Furthermore, the multinational strength of European industry has grown, extending into the US and elsewhere.

Nonetheless, foreign direct investment continues to play a big role in most European economies and to arouse strong, and sometimes contradictory, feelings. While assiduously courted by many countries, it can also provoke hostile reactions from local industry and pose awkward questions for government policymakers.

Many of the issues have been thrown into sharp relief by the recent growth of Japanese investments in Europe. There is widespread debate over the motives of Japanese companies, the economic contribution of their European presence and whether they should be regarded as helpful allies or deadly commercial enemies.

The US is still the largest source of non-European direct investments in Europe, with assets valued at more than $100bn. This presence has been steadily built up over decades. Many large American companies, such as Ford, General Motors and International Business Machines first established a presence in Europe well before the Second World War and their operations have since become closely integrated into host countries' economies.

Until the early 1960s, high national tariffs and other trade barriers required foreign companies to establish local manufacturing bases in each of Europe's major markets. However, the creation of the European Community and the dismantling of tariffs on intra-EEC trade has made it possible to serve a much larger area from fewer production centres.

US multinational companies were, in many cases, quicker than their local competitors to seize on this advantage by rationalising and streamlining their European operations. New US corporate investors setting up on this side of the Atlantic have invariably chosen their locations with a view to attacking the whole Common Market.

As a consequence, inward investment has tended to become more mobile, and competition to attract it has grown noticeably stronger in recent years. Even the wealthiest countries and regions, such as the Netherlands and many West German states, actively bid for inward investment projects and offer a wide variety of financial incentives and other assistance.

Interest in inward investment received a big boost in the 1970s, when an increasing number of European countries came to see it as a means of reviving economies which had been paralysed by the sharp rise in world oil prices. Initially, its principal appeal was as a way of creating additional employment and contributing to a positive trade balance.

More recently, however, the emphasis has shifted towards the strengthening of countries' technological bases. Investments in electronics projects have been particularly eagerly sought after, in the hope that they will stimulate the creation of a modern industrial base, raise skill levels and help disseminate know-how. Several countries, notably the UK, also attach importance to the "demonstration effect" which the local subsidiaries of well-managed foreign companies can have on indigenous industry.

Some concern has recently been expressed that rivalry between European countries to attract inward investment may be going too far. Last year Mr Willy de Clerq, the EEC commissioner for external and trade affairs, gave a warning that "beggar-my-neighbour" subsidy policies were in danger of distorting competition within the EEC.

Indigenous European companies have also expressed dismay at the generous terms offered to some of their international competitors to establish subsidiaries in the EEC. Calculating the total value of subsidies, and their economic impact, is almost impossible, however. Though the EEC sets limits on the maximum amount of financial aid which countries can give, full details of individual deals are rarely published.

Some national and regional inward investment authorities believe that competition is set to grow even stiffer. One reason is the growing scarcity of US inward investment projects. After many years of buoyant growth, these began to tail off about two to three years ago, partly because of the fall in the value of the dollar.

A recent survey by Economic Development Briefing of US electronics companies—the leading source of inward investment during the past decade—found that the number planning to invest in Europe had dropped by half from three years ago. Hopes are now increasingly pinned on Japanese industry to take up the running, as the strength of the yen forces more companies to turn to offshore manufacturing.

In the past, European attitudes to Japanese direct investment have varied widely. The Thatcher Government in the UK warmly welcomed it, but France was distinctly hostile. The notorious Poitiers affair in 1982, when France forced all Japanese video recorder imports to be channelled through a remote customs post, is widely remembered.

Today, even France has adopted a more positive attitude. Last year, it claimed proudly to have attracted more Japanese manufacturing plants than any other European country. Furthermore, at an EEC level, the Brussels Commission has been urging Japan to step up investment in Europe to help offset the huge imbalance in bilateral trade.

The Japanese response to date has, however, fallen short of European expectations. Though its companies' direct investments in Europe have expanded quite strongly since the late 1970s to total $11bn by the end of 1985, they amount to less than half than the cumulative total invested in the US and are comfortably exceeded by Japanese investments in Latin America.

Furthermore, there have been widespread complaints that many Japanese plants in Europe amount to little more than "screwdriver" operations which employ largely unskilled staff to carry out local assembly from imported components.

The EEC has sought to increase the pressure on Japan by taking a tougher stance on trade. Last year, it imposed stiff anti-dumping duties on imported Japanese copiers—a step which was widely interpreted as overtly political. More recently, the European Commission has proposed extending dumping action to cover components imported for assembly at Japanese plants in Europe.

There have also been demands by companies already operating in Europe, notably Ford and Philips, the Dutch electronics group, for much stricter rules of origin which would ensure that Japanese products made in the EEC contain a high proportion of local content.

There is a considerable difference of opinion within Europe about the longer-term intentions of Japanese industry. Some observers argue that Japanese companies will continue to favour the US and low-cost Asian countries as sites for offshore manufacturing and will do everything possible to keep their most important "value added" operations at home.

But another view, set forth in a recent study sponsored by Britain's Royal Institute of International Affairs, is that Japanese industry's hesitation about expanding in Europe is due chiefly to the fact that most companies are still at a very early stage in setting up multinational operations.

The study concedes that, until now, threats of trade protection have been the main factor behind Japanese investment overseas. However, it argues that a variety of other pressures will operate in the next few years to ensure that investment flows continue to expand.

Indeed, by implication, the study argues that current European concern about inadequate inward investment by Japanese companies is misplaced. Rather, it predicts, European companies can expect to face much tougher competition on their home ground as Japanese industry deepens and expands its presence in Europe.

Guy de Jonquieres

مكرر من الأصل